

FINAL REPORT
OF THE SELECT COMMITTEE OF THE
ONTARIO LEGISLATURE ON
CONSUMER CREDIT



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Final report, 1965



FINAL REPORT

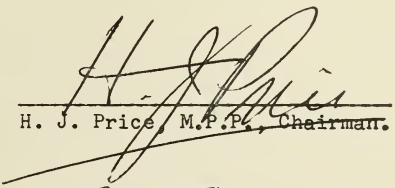
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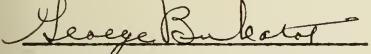
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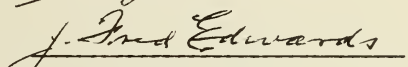
The Select Committee of the Ontario Legislature on Consumer Credit respectfully submits its Final Report.



H. J. Price, M.P.P., Chairman.



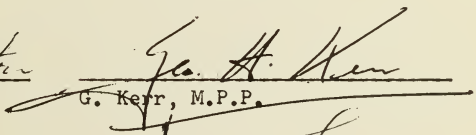
G. Bukator, M.P.P.



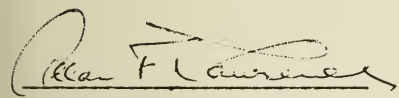
J. F. Edwards, M.P.P.



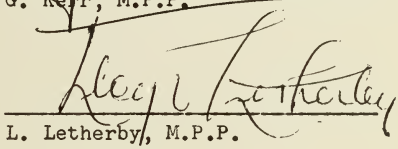
M. Hamilton, M.P.P.



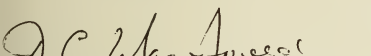
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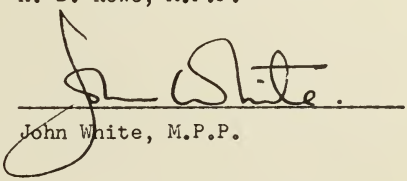
L. Reilly, M.P.P.



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R. M. Whicher, M.P.P.



John White, M.P.P.

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Appointment and terms of reference

1 The Committee was appointed on April 26th, 1963, by the Legislature of Ontario, with the following terms of reference:

> "to examine into, study and report on all matters relating to the actual cost of credit to consumers such as instalment purchasers, borrowers and mortgagors in the Province of Ontario, and without limiting the generality of the foregoing the Committee's attention is particularly directed to investigation of means by which total charges for borrowing money may be revealed in regard to land mortgages, chattel mortgages, conditional sales agreements, credit retail purchases and similar transactions,"

and was reappointed on October 30th, 1963, and on May 8th, 1964.

Select Committee of the Ontario Legislature on Consumer Credit

2 Henry J. Price, *Chairman*	St. David
Maurice L. Belanger (Deceased)	Windsor-Sandwich
George Bukator	Niagara Falls
Maurice Hamilton	Renfrew North
P. Hoffman*	Temiskaming
Allan F. Lawrence	St. George
Lloyd Letherby	Simcoe East
Donald C. MacDonald	York South
William G. Noden*	Rainy River
Leonard M. Reilly	Eglinton
John H. White	London South
J. Fred Edwards	Perth
George A. Kerr	Halton
Farquhar R. Oliver**	Grey South
Russell D. Rowe**	Northumberland
W. E. Sandercock*	Hastings West
Ross M. Whicher**	Bruce
Joseph Sedgwick, Q.C.	Committee Counsel
D. D. W. Irwin, B.A., C.A.	Consultant
Sophie Dell (Mrs.)	Committee Secretary (1963-1964)
T. F. R. Harcourt	Committee Secretary (1964-1965)

Committee appointed: April 26th, 1963
Committee reappointed: October 30th, 1963
Committee reappointed: May 8th, 1964

**Not reappointed*

***Appointed May 8th, 1964*

3 **Consumer Credit** is the only way many Canadians can get the goods and services they want. The loan cost is usually included as part of a monthly payment made from future earnings of the borrower until the loan is repaid. Unfortunately, because credit is so easily available, those unskilled in money management may sink heavily in debt. Hence, the Committee believes, the borrower has a right to know the true cost of his borrowing.

PROCEDURE

4 The Committee appointed Mr. Joseph Sedgwick, Q.C., as counsel and Mr. D. D. W. Irwin, B.A., C.A., as financial consultant to assist the Committee in its investigation and to co-ordinate and assess the evidence presented during the hearings.

5 Grateful thanks are due to Mr. S. J. Gadsby, F.C.I.S., who was an advisor to the Committee and whose help smoothed the way for the Committee to make an early start.

6 Mrs. Sophie Dell was Committee Secretary from the Committee's inception until the preparation of the Interim Report, presented to the Legislature on 11th March, 1964, and her excellent work is appreciated.

7 Mr. T. F. R. Harcourt was appointed Committee Secretary in June, 1964. Mr. Harcourt has made an important contribution to the work of the Committee, especially in arranging details for meetings in Ottawa in November, 1964, with the Special Joint Committee of the Senate and the House of Commons on Consumer Credit. He also arranged meetings in Washington, D.C. in January, 1965, with Senator Douglas and Senator Bennett and their assistants, and other members of the Sub-Committee of the Committee on Banking and Currency of the United States Senate, known as the "Douglas" Committee, which is considering "The Truth in Lending Bill".

8 A great wealth of background material was supplied to all Committee members, including copies of legislation and other data about consumer credit in Canada and elsewhere. To all these individuals, companies, and associations concerned, the Committee is most grateful.

9 Advertisements were placed in Ontario newspapers, advising that public hearings of the Committee would commence June 24th, 1963 (see Appendix 34). Government departments, financial institutions, associations and other interested groups were notified of the sittings and asked to submit briefs or other material that might help the Committee in its enquiries.

10 Public meetings were held in committee rooms in the Ontario Legislative Buildings in Toronto, from June, 1963 until August 14, 1963. With the

dissolution of the House, August 16th, 1963, the Committee ceased to exist. Reappointed on October 30th, 1963, the Committee held hearings from November 18th, 1963 until December 5th, 1963, and presented its Interim Report to the Legislature on Wednesday, March 11th, 1964 (see Appendix 35). The Committee was again reappointed on May 8th, 1964, and continued to hold hearings until November 18th, 1964.

11 On November 24th, 1964 a meeting of the Committee was held in Ottawa with the Special Joint Committee of the Senate and the House of Commons on Consumer Credit.

12 During January, 1965, the Committee met and had discussions in California with officials of the Department of the Attorney-General and with members of the Sub-Committee of the Committee on Banking and Currency of the United States Senate in Washington, D.C. Later in the same month, the Committee met and had discussions in New York with officials of the State Banking Department and the Consumer Frauds and Protection Bureau of the Department of Law (see Appendix 32).

13 All Committee meetings for hearing briefs were open to the public and all appearances before the Committee by individuals, groups and associations were voluntary.

14 The Committee, in its investigations, sought testimony from well-qualified authorities in all phases of consumer credit.

15 The Committee particularly thanks all those individuals, groups and associations appearing before it, for their time and effort in the preparation and in the presentation of their briefs (see Appearances, Page 271).

16 During the hearings, the Committee was saddened by the death of one of its members, Mr. Maurice Belanger, M.P.P., the Member for Windsor-Sandwich, who made great and sincere contributions to the Committee's work.

GENERAL REMARKS ON CONSUMER CREDIT

17 The Select Committee of the Ontario Legislature on Consumer Credit studied consumer credit from its appointment on April 26th, 1963, to June, 1965.

18 During the period studied, money has been in plentiful supply and the public's response has resulted in greater consumer borrowing. Thus, the Committee's investigations coincide with a high peak of consumer borrowing. Buying on time is such an important way of life for Canadians that the subject is being studied by a Special Joint Committee of the Senate and House of Commons in Ottawa. Similar investigations have been undertaken in Nova Scotia, Manitoba and other Provinces, and in the United States, Senator Douglas and his Committee have been considering disclosure legislation in the proposed "Truth in Lending Bill".

19 While former generations avoided debt and paid cash for goods and services, today most of our major purchases are made on credit. In the early 1900's it was considered imprudent to have even a small mortgage on a house; now most new houses are mortgaged for more than 50 per cent of their market value.

20 Purchases made "on time", and particularly automobile purchases, and small loans represent a high volume of purchasing power and an important factor in the national economy.

21 While the Committee believes that small loans companies do investigate potential borrowers before making loans, in spite of this, many people become over-extended in their borrowing, sometimes because they give misleading information to the company on the basis of which the loan is made. The Committee heard conflicting evidence about the number of people who get into difficulties as a result of credit being granted.

22 Representations were made to the Committee regarding the need for a Debt Counselling Service. Such an organization, the Committee thinks, would be of real public benefit.

EVIDENCE OF ABUSES

23 The Committee heard evidence of some flagrant abuses in the second mortgage field. Because of the publicity focussed on this subject during the Committee hearings, these abuses seem to have abated.

24 Alarming selling practices in the used-car business were reported to the Committee and a recommendation was made to the Attorney General. An investigation into specific cases brought to the attention of the Committee was later commenced. New legislation governing used-car sales was enacted by the Legislature of Ontario at its 1964 session and is now being put into operation.

25 The Committee heard much testimony indicating widespread abuses in door-to-door selling of certain products and services.

SOME ASPECTS OF THE CREDIT MARKET

26 There does not appear to be any precise identification of the types of credit which may be properly included under the heading of "consumer credit".

27 Credit arrangements for a business purpose are excluded. The exclusion may also apply to the retail "open" accounts receivable type of debt which might be repaid according to the normal terms of trade, regarding which no identifiable finance charge is made.

28 The use of credit cards for dining, travel and vehicle expenses is sometimes included in the term "consumer credit". Because no identifiable

finance charge is made or deferred payment involved, the Committee feels that inclusion of such arrangements is inappropriate.

29 The Committee considers consumer credit to include any obligation, undertaken by an individual in the course of acquiring property, goods or services for his own use or benefit, involving deferred payment and in respect to which a charge is made for the right to defer.

30 Available statistics do not precisely relate to the above definition. Reference to the level of the volume of credit should be made with caution. Yet it is clear that use of consumer credit has multiplied several times since 1945.

31 We have not attempted to evaluate whether the total volume of credit is at a desirable level or whether legislative action should be taken to restrain the use of credit generally, as we did not consider this to be within our terms of reference.

32 Our concern has been directed to the use of credit without evaluating its cost or propriety in particular circumstances.

33 Many apparent abuses appear to result from lack of full information being available between debtor and creditor. Such failure involves lack of disclosure of the costs of borrowing and an understandable explanation of the debtor's obligations, and the seller's rights of recovery. Misrepresentation or lack of performance regarding goods or services offered are other matters of major concern.

34 The points at issue tend to generate subjective responses. Moral, sociological and economic arguments have been advanced on both sides of every question but the Committee has sought to arrive at its conclusions objectively.

35 Obviously, some consumers are undiscerning in their use of credit. To this end the Committee tried to pinpoint abuses; to find ways of removing or reducing bad practices; and to improve communications in the credit market.

CONSUMER CREDIT PROTECTION

36 The Select Committee of the Ontario Legislature on Consumer Credit believes that when the recommendations contained in the Report are enacted consumers will enjoy a protection equal to or surpassing that enjoyed in any jurisdiction anywhere.

INTRODUCTION

37 The Select Committee of the Ontario Legislature on Consumer Credit received many briefs and submissions from a wide range of individuals, companies and associations involved with consumer credit. Here are summaries of their opinions and background information on their activities.

THE CHARTERED BANKS

38 The Banks said that one basic reason instalment credit was successfully used by a majority of Canadians was that most Canadian families were good credit risks. Consumers had both the willingness and ability to pay the obligations they assumed and had showed a remarkable record of meeting these obligations in good and bad times.

39 Banks were primarily concerned with a borrower's ability, capacity, and intention to repay loans as well as his personal and financial characteristics. Secondary was the security offered or available for pledging to support the applicant's promise to repay the loan. Generally, the banks said, it was safe for the average borrower to assume instalment obligations up to 15 per cent of net income, exclusive of residential mortgages.

40 Most loans were repayable over periods from 6 to 36 months, the latter being the maximum. Most personal instalment loans were life insured. Should the borrower die, the balance was retired by the insurance company. Cost of the life insurance was included in the charge.

THE LIFE INSURANCE COMPANIES

41 The life insurance companies fit into the consumer credit picture with policy loans and mortgage loans. The right to obtain a policy loan was a contractual right. It was not necessary for the applicant to establish a credit rating nor did the rate of interest he was charged vary according to his circumstances or the size of the loan.

42 While there was no investment risk connected with policy loans, the option of the policy owner to borrow or repay at any time could have an adverse effect on the company. It was suggested to the Committee that the insurance companies did not encourage this type of loan because the borrowings were often heavier when other forms of investment were most attractive and repayments increased when general interest rates were low.

43 There was some contention that with policy loans a policy owner was borrowing his own money and should not have to pay interest. The life

insurance companies pointed out that this money could have been invested elsewhere than in policy loans. Such money became a policy owner's only when the policy was surrendered for its net cash value.

44 All life insurance companies invest money in mortgage loans in more or less degree. With some companies mortgage investment reaches as high as 70 per cent of invested assets. Many life insurance companies involved in mortgage loans are members of the Dominion Mortgage & Investments Association and subscribed to its brief presented on August 13, 1963.

THE TRUST COMPANIES

45 The trust companies form the country's largest lenders on the security of real estate first mortgages. Member companies are authorized to make mortgage loans on improved property where the amount of money advanced or the purchase price together with the amount of any claim on the real estate ranking equal or prior, does not exceed two-thirds of lending value.

46 Because lending value is a matter of educated opinion, there were variations in the amount of money which various lenders were prepared to loan on property.

47 The interest rate charged for conventional residential loans across the country was 6½ per cent to 8 per cent.* The minimum rate was usually one-half of one per cent above the current National Housing Association rate. In Ontario, the interest rate spread was 6¾ per cent to 7½ per cent,** with most loans being made at 7 per cent to 7¼ per cent. Interest on all loans was compounded semi-annually and a preponderance of loans, said the trust companies, were on a monthly repayment basis. Such payments were "blended" with interest and principal.

48 The basis, and criterion, for mortgage interest rates is the rate established periodically by the market for Government of Canada bonds.

* Mid 1965, this rate is now 6½ per cent to 7¼ per cent.

** Mid 1965, this rate is 6¾ per cent to 7¼ per cent with the number of loans at 6¾ per cent increasing.

CREDIT UNIONS

49 When credit unions were first formed, their structure required, among other things, that they:

1. Restrict membership to small individual groups of people.
2. Stress loan services at low rates.
3. Hold an indivisible reserve, or guarantee fund.
4. Do not pay for officers' services.

50 These principles were given legal expression by The Credit Unions Act. Section 8 requires a common bond between members. Section 29 provides

that interest together with all charges and penalties should not exceed 1 per cent per month on the unpaid balance of any loan. Section 29 requires that 20 per cent of yearly profits be set aside in a guarantee fund as a reserve against losses on loans. (In practice, Item 4 above, is still upheld by a majority of credit unions although the Act does permit payment to officers.)

51 A person borrowing from a credit union knew that his complete charges could not exceed 12 per cent per annum of the amount received as this was the maximum rate permitted by The Credit Unions Act, enforced by the Ontario Department of Insurance.

52 (Most users of consumer credit willing and able to do a little arithmetic can calculate their total credit costs. Their big problem is in separating the total cost into items which will enable them to compare what is being charged for legal fees, searches, registration and as interest by credit merchants.)

THE SALES FINANCE COMPANIES

53 The 43 members of The Federated Council of Sales Finance Companies accounted for 70 per cent of the sales finance credit extended to consumers and 90 per cent of the instalment credit provided to business for machinery and equipment purchases. Ninety per cent of all automobiles sold in Canada were said to be financed in this manner. In 1962, the sales finance industry purchased retail instalment contracts of $836 million for durable goods and $381 million worth of contracts for commercial and industrial equipment.

54 This method of extending credit is called point-of-sale financing—the credit function being created only as the result of the sale. In this way, sales finance credit differed from many other forms of financial institutional credit, with which it competed. The sales finance companies played no direct role in the creation of credit and emerged only after the deal was complete and the dealer "sold" the instalment contract to a sales finance company.

55 The Federated Council of Sales Finance Companies strongly endorsed the adoption of a uniform act for conditional sales agreements in all provinces such as that drafted by the Conference of Commissioners on Uniformity in 1955. F.C.S.F.C. thought that the most important public policy issue involving consumer credit was the manner in which the finance charge was disclosed to the consumer. It believed in full disclosure of the cost of sales finance credit to the purchaser—and claimed to have followed full disclosure practices for several years. The association said that legislation making "interest rate disclosure mandatory, would tend to drive the cost of credit underground".

THE SMALL LOANS COMPANIES

56 Information presented to the Committee showed that the regulated consumer loan business developed in response to an urgent social and economic need for cash loans to service families of modest means. This need followed Canada's change from an agrarian to an industrial economy, with consequent shift of population from rural to urban areas. One result of this was the dependence of more people on cash income rather than the physical products of their own hands.

57 Consumer small loans companies generally made cash loans as distinct from instalment sales financing. These loans were most frequently made to enable families to reorganize their financial affairs and to help them recover from situations created by unexpected demands or interruption of income. This allowed families to work their way out of debt at a pace suited to their earnings.

58 The range of consumer loans was so wide, that it was unlikely ever to be adequately served by one type of institution—banks, credit unions or consumer loans companies. While the banks had a larger share than either credit unions or consumer loans companies, these last two between them were said to be involved in half of the business in consumer loan transactions.

THE RETAILERS

59 Witnesses told how, since World War II, there had been an upsurge in use of consumer credit and in the variety of credit facilities available. New types of accounts had been developed to make shopping on credit terms quick and efficient. These included revolving (or cycle), budget, deposit and charge accounts.

60 Before World War II, some retail firms found that quotation of the total cash cost of merchandise was discouraging to many prospective buyers. So these firms started to quote prices not as cash, but as a price that included all credit service charges. Thus a bedroom suite would be shown as "$25.00 down and 18 monthly payments of $20.00 each". If a purchaser wanted to pay cash (or pay up the balance owing part way through the contract) the amount of discount—if any—off the time price, would often be the subject of hard bargaining.

61 Another merchandising technique was to include part of the charge for instalment payment service in the price of the article. Some firms not only levied a direct charge but also advertised "instalment terms at 5 per cent". The extra cost of the artificially-low credit terms was reflected in the price of the article sold. Generally, these practices were said to have been abandoned in the retail store trade. The public was now given a cash price and the amount of the instalment service.

62 These and other figures were supplied by the Retail Council of Canada, an incorporated organization representing the interests of its members in the retail industry generally. The submission of the council was also endorsed by the Retail Merchants Association of Canada Incorporated, representing 20,000 retailers across Canada.

CENTRAL MORTGAGE AND HOUSING CORPORATION

63 The Federal Government's activities in housing are defined by the National Housing Act, 1954. On behalf of the Government, these activities are administered by the Crown Corporation established by the Central Mortgage and Housing Corporation Act, 1945.

64 The Federal Government's housing policy has been developed through successive Housing Acts and amendments. It has been a guiding principle of policy that, while the Federal Government may act to stimulate and supplement the market for house building, it should not assume direct responsibilities which are constitutionally allocated to other governments or which could effectively be borne by private enterprise. Close to one-half of the housing built in Canada is aided by the participation of the Federal Government.

65 To assist the financing of new housing construction, both for home ownership and for rental, and to aid in conversion of existing units, C.M.H.C. insures mortgage loans. Most life insurance, trust and loan companies, the chartered banks and the Quebec savings banks have been approved as lenders.

66 Under this system, the borrower obtains a larger loan, repayable over a longer period of time (up to 35 years), on more favourable terms than are available in the conventional field. Maximum interest rate for insured loans is related to the return on long-term Government of Canada bonds. The rate was set at 6¼ per cent on June 14, 1963.

67 The N.H.A. interest rate for loans made to the average home-owner, builder or rental project may not exceed the interest rate on long-term Government of Canada bonds by more than 2¼ per cent. This gap is usually narrower and when C.M.H.C.'s brief was submitted (June 25, 1963) it was 1½ per cent. C.M.H.C. also makes direct loans.

Main Areas of Consumer Credit: Investigations and Recommendations

INTRODUCTION

68 Material included in this part of the report represents a summary of the transcripts of the Committee hearings conducted during the period June 24, 1963 to November 18, 1964. When typed, this material totalled 1¼ million words. Of necessity, these findings have been highly condensed and, for reading ease, broken into main subject headings.

69 Further, each subject has been presented in four parts—Situation, Testimony, Assessment and Recommendations. Unless otherwise indicated, the first two parts represent the opinion of witnesses appearing before the Committee, and the last two parts the Committee's interpretation and recommendations.

EDUCATING THE PUBLIC IN CONSUMER CREDIT

SITUATION

70 The need for public education in the proper use of credit was much in evidence. Those people who were economically and educationally deprived were least able to understand annual finance rates and most susceptible to concealment of finance charges.

TESTIMONY

71 Several groups of witnesses took the long-term view by saying that consumer credit educational programmes should begin in school. One national association suggested a course about "what interest means" at public school level. Other witnesses thought that young people should be educated in the various interest rates charged by lending agencies.

72 It seemed logical to add household credit management courses to secondary school curricula. Youngsters could be taught how to establish a good credit rating, how to borrow money prudently, how to borrow in relation to income and how to build an estate.

73 For the general public, there should be two major endeavours—consumer education and consumer protection for all consumer-type goods and services. Some finance companies, it was pointed out, distribute booklets and filmstrips to assist consumers in obtaining maximum benefit from earned income. Various other non-commercial agencies offer free information to the public on how to budget their income.

ASSESSMENT

74 Some consumers need to be constantly alerted to the dangers resulting from excessive use of credit buying.

75 Many harmful over-indulgences in credit buying could be minimized by well-planned, consistent, educational programmes. These would have most value if originated at two levels—for young people and adults.

RECOMMENDATIONS

76 The Committee concludes that a two-pronged educational programme should be instituted and recommends that:

1. The Legislature direct the Department of Education to provide consumer credit instruction for young people in the secondary school curriculum as part of an existing course of study, such as household economics or mathematics.

2. The Legislature direct the appropriate Department of Government to provide consumer credit information to the adult population, using booklets, pamphlets, mass advertising media and other modern methods in co-operation with financial and commercial organizations. It may well be that this would be best done through the proposed Consumer Fraud Bureau.

THE INFLUENCE OF ADVERTISING IN CONSUMER CREDIT

SITUATION

77 Advertising greatly influences today's consumer-buying habits, including use of credit. From radio, television and print media comes forceful encouragement to:

78 "Buy now, pay later. Make purchases without down-payments. Pay a dollar down and a dollar a week. Want cash? Just say the word." Even prudent buyers have difficulty resisting some of the advertising, while the gullible accept all advertising claims uncritically.

TESTIMONY

79 The Better Business Bureau drew the Committee's attention to some questionable advertising techniques of luring gullible consumers into signing instalment sales contracts for the purchase of merchandise. In some cases the seller suggests that the purchaser will receive generous "kick-backs" in the form of commissions for referring leads for further sales, or that the seller will buy back from the purchaser articles made on the equipment purchased.

80 One witness felt that some financial responsibility should be required in proven cases of false and misleading advertising. Newspapers could easily verify the advertisements they published in the same way as the large department stores. Lack of responsibility shown by some newspapers and radio stations in accepting advertising created to dupe, deceive and defraud was unbelievable, he contended.

81 In the United Kingdom, the Hire-Purchase Act (1964) prohibits the stating of charges as a flat percentage but requires them to be stated as an effective rate. A company advertising finance charges of 5 per cent would be penalized if the 5 per cent represents the flat charge and not the effective rate. This may stop some attempts to mislead consumers.

82 Among the requirements of the Act regarding any advertisement which purports to contain details of payments in respect of any goods are:

1. Amount of deposit, or statement that no deposit is payable
2. Amount of each instalment directly expressed
3. Total instalments payable
4. Length of period when each instalment is payable
5. Number of instalments payable before delivery of goods.

ASSESSMENT

83 Consistent with the feeling of the Committee that the credit user should be given full and accurate information, it is felt that all advertisements of credit should state accurately the cost of such credit to the consumer or borrower.

84 The Committee feels that advertising is one field in which the Province can impose controls over all grantors of credit, both federally-incorporated institutions as well as provincial. The Committee believes that such controls are necessary because the credit user should have the means of comparing the credit facilities and cost and rate available to him in an ascertainable form. This requires full and accurate information in all advertisements.

RECOMMENDATION

85 If it is within the power of the Ontario Legislature, the Committee recommends that, to restrict misleading advertising, an Act similar to the Hire-Purchase Act in the United Kingdom should be enacted, providing that where a rate of interest is advertised it shall be stated as a true annual rate and should cover all grantors of credit, and if details of repayment are included, the effective rate of interest must also be specified.

DEBT COUNSELLING SERVICE

SITUATION

86 For years there has been a growing awareness among various levels of government, business and social workers that many consumers need help urgently in debt counselling. It was generally conceded that the problem of excessive debt arises chiefly through imprudent buying of goods and services on credit.

TESTIMONY

87 The Committee heard evidence of the work being carried out in this area

by the R.C.A.F. Benevolent Fund for the benefit of ex-Royal Canadian Air Force personnel and their dependents. Submissions and information were received about work being carried on in other provinces, in some parts of the United States and by the Social Planning Council of Metropolitan Toronto.

88 It appeared that the main purpose of a debt counselling agency or service would be threefold: educational; debt counselling, both remedial and preventive; debt consolidation.

89 The objects of such a debt counselling service would be:

1. To provide advice on budgeting matters and assist persons and families with their financial problems and to co-operate with public and private organizations.

2. To seek the co-operation of merchants, lending institutions, banks and others, individually and through their associations, and to seek the co-operation of public officials.

3. To conduct education projects aimed at acquainting the public with the proper uses of credit.

4. To act as an intermediary between debtors and creditors in working out satisfactory arrangements for the orderly payment of debts. Also, to act as a trustee for the distribution of payments to creditors, or in other fiduciary capacities.

ASSESSMENT AND RECOMMENDATION

90 There is a real need for a debt counselling service in Ontario. The Committee believes it preferable that such a service should not be operated by, or under the control of, the Government, though it may be that the Government should consider giving some financial aid to services of this kind and encouragement to institutions in the field.

CONSUMER FRAUD BUREAU

SITUATION

91 Numerous suggestions about consumer fraud were received by the Committee. Most contended that consumer credit affairs in Ontario needed the same continuous attention as other affairs of public concern and underlined the need for a Government-sponsored department to deal with consumer fraud.

TESTIMONY

92 During extensive testimony, it was suggested that a Federal-Provincial Council would be appropriate because the proper regulation of consumer credit and allied matters was the joint responsibility of the two levels of government.

93 First-hand knowledge of how other administrations dealt with this major problem was acquired by the Committee during its fact-finding studies in the United States.

94 New York State has a Consumer Frauds and Protection Bureau, with a staff of fourteen, including eight assistant Attorneys-General and a Chief. The Bureau also employs student volunteers from law schools. Investigations in all areas of Consumer Fraud are carried out at the Bureau, which provides a Central Complaint Office where the public can tell the Bureau staff their troubles. The business community endorses this type of organization because it helps them to maintain goodwill.

95 California has a Consumer Credit Fraud Programme operating as part of the Department of the Attorney-General. All the investigating deputies in this department are attorneys. Here again, every type of complaint concerning consumer fraud is investigated.

96 The United Kingdom established a Consumers Council in March, 1963. This Council consists of a chairman and ten members and is supported by a full-time director and a staff of thirty employees, including a lawyer and an economist.

ASSESSMENT

97 No matter how carefully legislation may be framed there will always be areas of shady or doubtful business practices with which the law does not effectively deal. It seems true also that there will always be disgruntled borrowers or buyers who do not know where to take their troubles, apart from the Better Business Bureaus.

RECOMMENDATION

98 The Committee recommends that a branch be established in the Attorney-General's Department to carry out functions similar to those of the Consumer Protection and Fraud Bureau of the State of New York, which deals with all kinds of consumer complaints and is not restricted to credit transactions.

DOOR-TO-DOOR SELLING

SITUATION

99 Direct (or door-to-door) selling is one of the oldest merchandising methods in Canada. Manufacturers involved have found it to be one of the best ways of selling their particular products. It seems too, that many potential customers like in-home demonstrations and the direct approach which characterizes this kind of merchandising.

100 While these methods are conducted by many firms in a responsible manner there is evidence that high-pressure and fraudulent practices are employed by some unethical newcomers.

TESTIMONY

101 Many of the findings stemmed from the Direct Sellers Association brief which represented a group of long-established Canadian manufacturers.

102 As a vocation, door-to-door selling appeals to certain people because:
1. Such a person can run his or her own business.
2. Working hours and conditions are determined by the individual.
3. There is no restricting age limit.

103 The ethical direct sales company, it appeared, was careful of the relationship between itself and the customer. A satisfied customer was its best advertisement. Conversely, a dissatisfied customer could turn the neighbourhood against the company.

104 Unfortunately, unethical salesmen of all types invaded this branch of selling, mainly because no permanent place of business was necessary.

105 Some high-pressure salesmen used the "free-er" approach. They told the prospective customer that theirs was the best house in the subdivision for a model installation job to be done, that it would not cost anything at all. Many prospective customers believed the salesman implicity, only to learn later that they had not been fully informed about their obligations under the contract.

106 Most of the established door-to-door selling companies dealt on a cash-on-delivery basis. Unless the article they sold was large (such as a vacuum cleaner) they were not really concerned with consumer credit as such. The glib-talking unethical salesman was suggested as being responsible for most complaints received. He was only interested in getting the contract signed, pocketing his commission and immediately selling the signed obligation to a finance company.

107 Many of the complaints reported to the Committee involved outright fraud. Typical of these was the case where, when work was found to be unsatisfactory and the customer wanted to receive satisfaction, he could not find any of the principals involved. The salesmen and their companies had disappeared.

108 Companies dealing in areas and products where illicit selling had flourished had developed various controls to try to stamp out the undesirables.

109 In order to ensure that a sub-contractor in the home-improvement field did good work, some firms held back a percentage of the sub-contractor's payment for two months. If a service complaint was made during that time, he had to make the service call or forfeit the money held in reserve.

110 In the interest of their customers, most member companies of the Educational Reference Book Publishers Association verified all subscription orders. A company official contacted the customer, usually by telephone, to establish the customer's understanding of the agreement.

111 The major magazine publishers and subscription agencies formed the "Canadian Central Registry" to promote ethical methods in the sale of

consumer magazine subscriptions. Their representatives carried Canadian Central Registry 60-day licences to identify themselves as being obligated in this respect. If one of their salesmen committed an offence, the Registry could take away his registration and dismiss him.

ASSESSMENT

112 The Committee recognizes that it is most unfair to label all, or even the majority, of door-to-door sellers as being other than completely honest and reputable. It also recognizes that there are some unethical operators who not only deceive but sometimes defraud their customers. This gives the whole industry a bad name. For the protection of all, some controls may be necessary.

RECOMMENDATION

113 The Committee therefore recommends that all persons or firms employing door-to-door salesmen should be registered, they in turn being responsible for their individual salesmen. Certain types of door-to-door salesmen (for example, farmers selling their agricultural products) could be exempt from registration by regulation. This requirement for registration should not interfere with the present licensing powers of the municipalities.

COOLING-OFF PERIOD

SITUATION

114 The period immediately following a door-to-door sale is often called decompression time or, more popularly, the "cooling-off" period. To provide for such a period would, it is thought, radically curtail the operations of "one-call, fly-by-night" salesmen.

TESTIMONY

115 There seemed to be a considerable difference in ethics between those firms which sold at an established place of business and some door-to-door sales personnel. Many of the latter operated in a transient fashion and among those were found the ones responsible for most complaints; e.g., the people who sold and took negotiable paper and did not deliver, or delivered an inferior product.

116 This was usually the area in which the high-pressure salesman operated. Such a salesman depended on his persuasive ability to make the customer feel that the product or service he was selling was imperative to the customer's well-being. Under this spell many consumers bought products they really did not need nor would ever use. If consumers had a period of time to assess their needs and their means, it would be protection for compulsive buyers.

117 If there were no down payment and no delivery of goods until the end of

a "cooling-off" period, the consumer would have time to think over the purchase before the contract became binding.

118 This suggestion was not acceptable to many of the long-established companies manufacturing for and distributing in this market. The Direct Sellers Association contended that any legislation introducing a "cooling-off" period would put them at a competitive disadvantage and that it would be discriminatory.

119 The Direct Sellers Association stated that a waiting period could have a depressing effect on business, on selling and on salesmanship. It argued that because a salesman's time is valuable such legislation would increase the selling price of any article and that merchandise left with a customer and then returned became used merchandise and must be sold as such—to the loss of the dealer.

120 If such legislation were enacted, other witnesses contended, the ethical door-to-door sellers might benefit most because their reputation had been damaged by the unscrupulous operators.

ASSESSMENT

121 The Committee is of the opinion that many consumers, particularly housewives in their homes, are persuaded by high-pressure door-to-door salesmen to buy articles that they do not really want and sometimes cannot afford.

RECOMMENDATION

122 The Committee recommends the enactment in Ontario of legislation similar to that in force in the United Kingdom, providing for a "cooling-off" period when a sale is made on credit at a place other than the ordinary place of business of the seller, thus giving the householder the right to repudiate a sale made at the door if notice of repudiation is given within two days.

COMPULSORY MINIMUM DOWN PAYMENTS

SITUATION

123 The results of easy buying habits can have serious consequences for some consumers. Where only a small down payment, or none at all, is required there is strong temptation for a purchaser of limited finances and business experience to get heavily in debt.

TESTIMONY

124 It was suggested that a small down payment was the concern only of the dealer who was willing to grant it. Other witnesses contended that prudent sellers in normal times insisted on a down payment and a schedule of payments that were high enough to keep the value of the goods higher

than the unpaid balance during the term of the contract. Under pressure of competition, however, the financing agency might have to relax such credit practices.

125 The Consumers Association of Canada said that a person should have at least 10 per cent of the purchase price for a down payment before undertaking a purchase.

126 Professor Donald C. MacGregor, Professor of Political Economy, University of Toronto, and a witness before the Committee, said this:

127 "The argument that people in an affluent society can easily afford credit can be reversed. People who are so well off can save more and should either dispense with credit on all but house and possibly automobile purchases, or at least make much larger down payments. Many of them too, should get their small loans from the bank on collateral in Canada Savings Bonds or other sound security."

128 If it were made more difficult to recover goods when credit was granted with less than a specified down payment, such over-selling might be discouraged.

ASSESSMENT

129 Much testimony was heard for and against legislation requiring a compulsory and minimum down payment for consumer purchases on credit. The Committee thinks that, before legislation for or against a minimum down payment is recommended, a thorough study of the economic effects resulting from a mandatory down payment should be undertaken.

RECOMMENDATION

130 The Committee is of the opinion that at this time no down payment legislation should be enacted.

LICENSING OF FINANCE COMPANIES

SITUATION

131 A licensing system provides a means of controlling an industry. The idea of licensing finance companies came from several of the leading firms in this business who strongly objected to being classed with disreputable companies.

TESTIMONY

132 Among evidence and testimony were cases of finance companies being criticized because they lent money to or through questionable dealers. Finance companies, by withholding credit, could starve dishonest dealers out of business, but many finance companies felt that the ethical standards of retailers were not their responsibility or concern.

133 Many reputable dealers using finance company services said finance companies should establish a code of ethics for their dealers to use in negotiating with the public.

134 It was suggested that there be a form of licensing of all individuals or groups who lent money professionally at a rate of interest and who were not already required by law to be licensed.

135 As there was no restriction on the use of the word "finance", anyone could call himself a finance company. Lack of restriction permitted unethical practices in the industry. The word "loan" could not be used in a company name unless the company was incorporated under The Loan and Trust Corporations Act; it was suggested that the use of the word "finance" be permitted in a company name only when the company concerned had met certain prescribed requirements.

ASSESSMENT AND RECOMMENDATION

136 After a careful consideration of all these representations, the Committee concludes that as virtually all finance companies are now licensed under the Small Loans Act, and are thus adequately supervised, there is no present need for a provincial licence.

137 The Committee recommends that the use of the word "finance" or "acceptance" in a company's name should only be permitted when the Provincial Secretary is satisfied with the bona fides and financial stability of the applicants.

"HOT" (OR NON-RECOURSE) PAPER

SITUATION

138 Non-recourse paper is usually a promissory note which is sold on completion of a sales contract to a finance company. The consumer is generally unaware of the finance company's part in the transaction until he receives his first instalment-due notice. To his surprise, he finds that he owes money not to the friendly salesman who sold him the goods, but to an unknown, impersonal finance company.

139 Cases were brought to the Committee's attention where the seller in an instalment sales transaction misrepresented to the purchaser, in some cases dishonestly and fraudulently, the terms of the contract. Yet the purchaser was compelled to pay the whole debt because the discounter of the promissory note (the finance company) which formed part of the contract was a holder in due course with no knowledge, or provable knowledge, of the representations made.

140 The promissory note is a statement of obligation by which the signer promises to pay the holder an amount of money, but there is nothing in

the note to the effect that there is any contractual obligation which must be fulfilled by the vendor of the goods or services before the money is payable.

TESTIMONY

141 One witness said that people in the appliance business did not generally use the non-recourse companies. They tried to be competitive in the financing field and use of non-recourse paper made the interest rate higher.

142 Some companies had a clause in their contract which said the order was not subject to cancellation and, if the customer cancelled it, he must pay 50 per cent of the contract price as liquidated damages. Most reputable finance companies confirmed with the customer that he was satisfied with the goods or services purchased and explained to him his obligation to the finance company.

143 One finance company appearing before the Committee said that it had quit the door-to-door conditional sales contract business because the field was difficult to administer profitably. It did not like some of the sales tactics in this area. Even after investigating a prospective contract, the company sometimes found that although a door-to-door seller had presented inaccurate facts, some customers (to protect him) told untruths to the finance company representatives. It was found that some customers could be so oversold that they would accept coaching from the direct seller on what to say when the finance company representative called.

144 If the finance company had to write-off an account, it had to absorb the loss, except where the contract was fraudulent, in which case the finance company tried to recover from the dealer.

145 If the paper was negotiated and had been bought by a finance company, a dissatisfied customer's refusal to pay because of the dealer's failure to fulfill his promise was no defence in an action on the note. Even if the dissatisfied customer went to court, the court, if it held that the finance company was a holder in due course, had to find in favour of the finance company and the disillusioned customer had to pay not only the purchase price but court and legal costs. The customer had a right of action against the dealer for non-performance; but this remedy was valueless with "fly-by-night" dealers.

146 A solution might be provided if the buyer of the paper were subject to the equities that existed between the seller of the product and the customer. The equities would follow the paper, and it would be possible for the signer of the note to set up those equities against the purchaser of the note. In buying such paper, a finance company would know that it would be subject to the honesty of the dealer from whom it purchased the paper and would be careful. The purchaser of the paper would be in the same position as the original vendor of the article.

147 Another practice considered by the Committee was that of finance companies paying commissions to dealers. Many consumers relied on the dealer to recommend an ethical finance company, but some dealers selected their finance company on the basis of the most generous commission given.

148 One witness said that very few dealers would be able to continue operations on the basis of the discounts on cars without some type of compensation or "kick-back" from the finance company. It was suggested that this practice might be better described as a participating discount rather than a "kick-back" and that there was nothing objectionable about it. First, because the dealer did perform a service for it and, second, because a substantial portion of it was kept back from the dealer as a reserve against bad accounts so that he was joining the finance company in the underwriting of the contract.

ASSESSMENT

149 While most finance companies operate ethically and see that the paper which they discount is the result of a bona fide transaction, the number of abuses that result from such contracts makes remedial measures mandatory.

RECOMMENDATION

150 The Committee recommends that such notes should be subject to all rights and obligations which the purchaser might have asserted against the seller.

REBATES FOR PREPAYMENT IF CONTRACT PAID BEFORE MATURITY

SITUATION

151 Finance charges included in an instalment contract are deemed to be payable over the term of the contract. When the borrower pays the balance in full before maturity, he may be entitled to cancellation or rebate of a portion of the finance charge.

TESTIMONY

152 With few exceptions, representatives of the finance companies appearing before the Select Committee on Consumer Credit suggested a refunding or cancellation charge under the Rule of 78ths. Such refunding is written into the law in many states in the United States and it was suggested that the Committee should recommend the rebate clause for legislation.

153 (The Rule of 78ths, or the Sum of the Digits, as it is often called, is an arithmetical device for determining the rate at which charges are con-

sidered to be earned as the balance of an instalment loan is paid down. Although, literally, this rule applies only to instalment transactions involving 12 equal monthly payments, the principle can be applied to transactions for shorter or longer periods.)

154 Each company decided its own policy about rebates for prepayment, but most prominent finance companies used the rebate clause. If made compulsory it would eliminate those cases where consumers pay the full finance charge on the entire contract when they pay it off before the due date.

ASSESSMENT

155 While the evidence considered by the Committee does indicate that most finance companies rebate some part of the finance charges when payment is accelerated, the Committee concludes that this practice is not uniform.

156 With a uniform refunding method, consumers would know exactly what they must pay at the end of any payment period, and the portion of unearned charge subject to rebate.

RECOMMENDATION

157 The Committee recommends that the buyer be entitled to a rebate or refund of a portion of finance charges, determined on the principle of the Rule of 78ths, subject to retention by the lender of a reasonable acquisition charge. Such charge should be proportionate to the total amount of the contract, such as $12.50 for motor vehicle contracts and $5.00 in other cases.

MORTGAGE FORM REQUIREMENTS

SITUATION

158 The Statement of Mortgage Form authorized by The Mortgage Brokers Registration Act, Revised Statutes of Ontario, 1960, Chapter 244, requires a broker to show all charges in connection with the loan and to supply the mortgagor with a copy at least 24 hours before he signs the mortgage.

TESTIMONY

159 According to the Mortgage Brokers Association, the amended Statement of Mortgage Form was difficult for the average person to understand. Moreover, the effective percentage of interest, using the formula provided, could vary, depending on the loan period, thereby misinforming the borrower.

160 The association recommended that a group of actuaries should develop a precise method of establishing interest figures and showing them in a clear form.

161 Another suggestion concerned wording on the form. People should be able to see quickly and clearly whether or not the mortgage was paid up when the mortgage matured. The words: "This mortgage is not paid off when the mortgage matures", printed in a different coloured ink, was suggested as a possible solution.

ASSESSMENT AND RECOMMENDATION

162 The Committee is of the opinion that a clear, concise method of arriving at interest figures should be evolved and, further, is of the opinion that the Statement of Mortgage Form should require that the maximum (rather than the minimum) interest payable be shown.

THE SECOND MORTGAGE MARKET

SITUATION

163 This is an area, particularly, where the public is, at times, the victim of unscrupulous financiers and mortgage brokers. In many cases, the mortgage broker is the sole link between the needy borrower and the private lender. Sometimes, where the need for money is great and the risk factor high, this situation leads to unusually high interest rates—up to 87 per cent. The Mortgage Brokers Registration Act, passed July 1, 1960, did much to rectify more flagrant abuses.

TESTIMONY

164 The Committee heard much and varied testimony. One witness suggested that legislation be enacted putting a ceiling of 12 per cent on second mortgages. Another suggested that every real estate mortgage should have a certificate attached to it in which a lawyer, acting for the mortgagor (other than the mortgagee's lawyer) certified that he had explained the complete contents of the contract, point-by-point, to the owner. Further, it was recommended that mortgage broker charges should be limited to 2 per cent or 3 per cent of the amount transacted.

165 Recently, companies with strong financial backing and high ethical standards had entered second mortgage financing. This had provided effective competition and helped cure some of the market's defects.

ASSESSMENT AND RECOMMENDATION

166 The Committee is of the opinion that the entry into this field of the major institutional lenders and their anticipated extension of operations into rural areas, combined with effective advertising, which is making the public increasingly aware of their presence, should eliminate the remaining defects in this type of mortgage financing.

BALLOON PAYMENTS AND BONUSES

SITUATION

167 A mortgage that includes both a balloon payment and a bonus can be misleading for the unsophisticated borrower. As well as the 7 per cent interest on the amount borrowed, the borrower may discover to his astonishment and chagrin that there is an unpaid balance at maturity date. This, colloquially called a balloon payment, must be paid in full or the property sacrificed. Such a condition almost invariably necessitates refinancing for another period in order to pay off the balloon. Frequently, the borrower is forced, again, to pay a bonus or high rates to refinance without delay.

TESTIMONY

168 The Committee received many examples of high interest rates disguised in various forms. High interest rates usually resulted from a bonus payment that had been quoted as a service charge, or all-inclusive fee.

169 Potential property owners were frequently attracted by advertising couched in persuasive language. Responding to these offers of property financing, consumers would sometimes wind up with high-interest mortgage loans maturing in three to five years with a balloon payment required. These mortgages were usually written at a nominal 7 per cent rate and if a person questioned the bonus, he was told that it was precalculated interest over the life of the mortgage.

170 Instances were given of second mortgage deals which left the borrower owing the full bonus amount at the end of the period. The mortgage broker then refinanced the loan with another bonus. Although a second mortgage could be arranged with a stated rate of, say, 7 per cent, inclusion of the bonus usually resulted in an effective rate of 10 per cent to 12 per cent. Where the stated rate of 10 per cent to 12 per cent was quoted, a separate bonus was not usually charged.

ASSESSMENT

171 The Committee considered suggestions that all second mortgages should be fully amortized by maturity and balloon payments eliminated, but concluded that this might not be in the interests of all borrowers or lenders. The Committee felt that many of the most flagrant abuses in this type of transaction would disappear if larger, institutional-type lenders entered this field and that effective rates and interest on second mortgages would be appreciably lowered thereby.

RECOMMENDATIONS

172 The Committee recommends that institutional lenders should be encouraged to make money available for residential property mortgages. The Federal Government's recent encouragement to the Chartered Banks

to become involved in such financing should have excellent repercussions in this area.

173 The Committee further recommends that the words: "This mortgage is not paid off when the mortgage matures" should be included on the Statement of Mortgage Form and should be printed in ink of a different colour from that used on the other parts of the Form in those contracts where there is a balloon payment.

CENTRAL REGISTRATION SYSTEM

SITUATION

174 The present system of registration of chattel encumbrances on a county basis may not afford adequate protection to a buyer. The Federation of Automobile Independent Retailers (F.A.I.R.) suggested that there was an urgent need for a central system of lien registration for motor vehicles.

TESTIMONY

175 Ontario seemed to be one Province that desperately needed new legislation in this regard. Private purchasers, as well as dealers, were never safe from financial loss because there was no *sure* method of determining whether title to an automobile was free and clear.

176 The United Kingdom has a registration system making it mandatory that title documents to a car accompany the car when it is sold and record every instance of borrowing against it. Every car acquires a district code letter in the process, which makes identification easy. This system operates efficiently because of the permanent licensing system whereby each vehicle retains the same registration number for its entire life. Ontario's yearly licence plate system makes it hard to trace a car's history and ownership.

177 British Columbia has a Central Registry System so efficient that one phone call can get all needed information. It was suggested that a central computer centre with a teletype network would greatly help Ontario's problem.

178 The Used Car Dealers Act, 1964, was partly the result of the Committee's investigations of abuses in the used car business. Further, the Catzman Bill (The Personal Property Security Act), if adopted, would set up a Province-wide registration system for conditional sales.

ASSESSMENT

179 Because a chattel, such as an automobile, can move from county to county in the course of a few minutes, the Committee feels that the system of registration in force in Ontario is inadequate.

RECOMMENDATION

180 The Committee recommends that Ontario enact legislation similar to that

proposed by the draft Personal Property Security Act which was prepared by the Catzman Committee under the aegis of the Attorney-General of Ontario and which adopts a Province-wide system of registration for chattel encumbrances.

WAGE ASSIGNMENTS, GARNISHEES

SITUATION

181 Some grantors of credit take from the borrower a blanket wage assignment which permits the grantor, without any legal process, effectively to garnishee the wages of the borrower should he default in his repayments.

182 Ordinarily until suit is brought and judgement signed, no further action can be taken by a judgement creditor until a period of appeal of fourteen days has passed.

TESTIMONY

183 In the opinion of one of the witnesses, a wage assignment should not be a mortgage on a man's yearly earnings but should be given as a pledge for a small amount such as two or three months' wages.

184 Wage assignments and garnishees were not acceptable to some employers who would dismiss an employee rather than accept such a direction. As some witnesses observed, no one benefited under such an arrangement. The finance company received no money, the employee lost his job and his family often had to seek welfare.

185 Some finance companies, conversely, would work together with social agencies on behalf of financially beleaguered families to reduce payments and otherwise ease the burden of these people. In extreme cases, some finance companies would even cancel the debt.

186 In many parts of the United States, the holder of a wage assignment was required by law to register it in County Court. It was suggested to the Committee that all wage assignments be registered in the Office of the County Clerk and that holders of wage assignments be required to rank with the judgement creditors in the distribution of any funds.

187 When a wage assignment was made and signed by the wage earner, the original copy was not sent to the employer. Because it was not registered it could be misused.

188 Among other evidence heard by the Committee was that concerning the Consolidation Order.

189 Once a judgement had been signed and the judgement debtor owed two or more unsatisfied judgements in Division Court, he (the debtor) could apply for a Consolidation Order. This, if granted, suspended for the time being all rights of attachment or wage garnishees. After the law had been faithfully carried through, however, and with full and just equity to both

creditor and debtor alike, and a Judge's Order had established a scheme for distribution of all money to be received from the debtor on a *pro rata* basis to his creditors, the holder of one wage assignment could stop all that procedure.

190 Where wages were seized under a judgement, the garnishee order must be renewed every pay day but this was not the case if a wage assignment had been served. If the assignment were to recover money owing to a credit union or a finance company, up to 30 per cent of each pay cheque might go to satisfy the wage assignment until it was fully paid and other creditors might have to wait years before recovering anything.

ASSESSMENT

191 The Committee found that, almost without exception, wage assignments annoy employers and frequently imperil the employee's job. The Committee found no reason for creditors not being compelled to seek their rights through the courts, where wage garnishments are subject to a judicial discretion.

RECOMMENDATION

192 The Committee is opposed to the blanket or automatic type of wage assignment and recommends that legislation be enacted in Ontario prohibiting any assignment, or order, for payment of any salary, wages, commission or other compensation for services or any part thereof earned or to be earned.

SEIZURE OF GOODS – REPOSSESSION

SITUATION

193 Where an instalment buyer of goods defaults in his payments, his interest may require protection against summary repossession of the goods after he has paid a specified part of the original purchase price, including financing and other charges.

194 Protection of the buyer's equity when the seller repossesses the goods is historically an old problem and one subjected to the earliest statutory attention. Repossessions, including the voluntary return of goods, may represent 10 per cent of the number of contracts liquidated each year in the case of used vehicles, and as much as 6 per cent in the case of new vehicles.

TESTIMONY

195 Some social service workers felt that there was need for legislation to outlaw blanket chattel morgages on household effects as security for a cash loan. They suggested a law forbidding seizure of an article after a certain percentage of the total price had been paid.

196 A suggestion was made that consideration be given to an amendment to Section 9 of The Conditional Sales Act, Chapter 61, Revised Statutes of Ontario, 1960. The proposed amendment would prevent a seller from repossessing goods if 75 per cent of all money due had been paid by the purchaser.

197 That the buyer in default should not summarily forfeit his equity is almost everywhere conceded, but the extent to which it should be protected is susceptible to different answers. Some policy questions which arose included these:

1. Should the buyer, like a mortgagor, simply have a right to redeem the goods on paying the unpaid balance of the purchase price, or should he have an opportunity to reinstate the agreement by paying the instalments actually in arrears, exclusive of any acceleration clause? (In Ontario, in the case of a mortgage on real property, that right is expressly conferred on the mortgagor by the Court. However, there is no similar right, in Ontario, with respect to a mortgage against goods.)

2. Should the seller be required to obtain a Court Order before repossessing and, upon such an application being made, should the Court be empowered to postpone repossession proceedings upon such terms as it sees fit? And again, should there be a compulsory resale in all cases and should the seller be entitled to claim any deficiency after a resale?

198 It was suggested to the Committee that the finance company which lends on the security of a note, or in connection with durable goods at all, should not be able to sue the maker of the note but should be restricted to a right to sue for the article sold. The full security would be the car or refrigerator or whatever it was on which the finance company lent money.

199 This might not be the ultimate answer, but it was felt that it might help check some of the unscrupulous practices now in effect. Unfortunately this suggestion, if carried out, would give no protection to the dealer. Some defaulters of instalment purchase payments are irresponsible and neglect the merchandise involved. When the dealer repossesses, the goods are in such a poor condition that he suffers a substantial loss.

ASSESSMENT

200 The buyer is entitled to some protection of his equity in the goods purchased. Also, the Committee feels that if it were made more difficult for the seller to repossess, he would be less willing to sell on easy credit terms without checking the buyer's ability to pay.

RECOMMENDATIONS

201 The Committee recommends the adoption of the sense of the English legislation which permits repossession only by Court Order after a prescribed percentage of the purchase price has been paid and therefore recommends that after two-thirds of the contract price has been paid,

repossession should be permitted only on application to the Court with notice to the buyer.

202 The Committee is of the opinion that a seller should not be able to obtain a lien on goods other than the goods that were the subject of the immediate sale and recommends the enactment of legislation requiring that no contract other than one for services should provide for a lien on any goods fully paid for, or which have not been sold by the seller.

DISCLOSURE OF THE COST OF BORROWING

203 Extensive evidence has been gathered regarding problems and methods of calculating, expressing and disclosing the costs of borrowing. In fact, no other aspect of consumer credit has received such exhaustive attention in the course of this enquiry or in the course of similar enquiries in other jurisdictions.

204 The credit market is composed of many supply sources, available for many specific purposes and offered in a variety of forms. Suppliers of credit are usually knowledgeable, efficient and competitive.

205 In contrast, the credit seeker is often unsophisticated about the sources of credit, the suitability of each source to his needs and the terms upon which credit may be obtained. Frequently, the consumer is under pressure to obtain credit and, apart from his lack of knowledge, may lack the necessary curiosity and caution.

206 The consumer might also be isolated and localized geographically and economically, or both, while the grantors of credit are ubiquitous.

207 In contrast to most other economic activities, the lending market does not adhere to common standards or common terminology. The costs of borrowing under a mortgage are usually expressed as a rate per cent per annum. Small loans may be obtained at a combination of monthly rates per cent, while retail purchase credit costs are rarely expressed except in dollar terms. Comparison of costs between alternative sources of conventional consumer credit is virtually impossible.

208 Thus, it seems desirable that the consumer be provided with every reasonable means to overcome these disabilities.

209 In this context, disclosure of the costs of borrowing is a major objective. Such disclosure implies the development of a standard form or forms which would enable the borrower to evaluate all available sources of credit.

CURRENT PRACTICES REGARDING DISCLOSURE

210 Methods of disclosure of the costs of borrowing in Ontario may be summarized as follows:

1. Annual interest rate per cent

211 A rate per cent per annum calculated and charged on the unpaid principal

balance from time to time either as a simple annual rate or a compound rate. Examples are:

Commercial bank loans
First mortgages
Bonds and debentures.

212 The true or effective rate per cent is usually disclosed to the borrower.

2. Monthly and annual rates per cent

213 Loans under the Small Loans Act which require calculation and disclosure as follows:

On the first $300, 2 per cent per month (24 per cent per annum)
On the next $700, 1 per cent per month (12 per cent per annum)
On the next $500, ½ of 1 per cent per month (6 per cent per annum).

214 These rates are disclosed to the borrower exactly as above but a composite effective rate per cent per month or per annum is not disclosed.

3. Monthly rate per cent

215 A true monthly rate applied on the balance outstanding monthly. This monthly rate may also be expressed as an annual rate. Examples are:

Credit Union loans
Some retail instalment contracts
Some commercial sales finance contracts.

4. Annual rate per cent plus other charges

216 A rate per cent is used to calculate the interest charged on the principal sum, but additional charges or discounts are not included in calculating the rate per cent per annum. Such charges or deductions may be:

(a) Administrative fee
(b) Broker's fee
(c) Bonus or discount
(d) Other direct costs: legal fees, survey fee, appraisal fee
(e) Life or loan insurance premiums

Examples of this type are:

Second mortgage for which the borrower assumes some or all of the above charges
Personal loans by chartered banks.

217 The propriety of including the mentioned charges in whole or part in a calculation of an over-all effective interest rate is a matter of some debate. A more detailed discussion is found in Appendix 1.

218 In these cases the interest rate per cent is usually disclosed but the over-all (including other charges) effective rate is not disclosed. A qualification of this observation applies to mortgages obtained through a registered mortgage broker, which is discussed in Item 8 below.

5. Dollar amounts

219 Retail instalment sales contracts generally reveal the dollar finance

charges. Calculation of the finance charges is usually in the form of a proportion of the principal amount added-on to that principal.

220 It is not customary to calculate and disclose these finance charges as a rate per cent.

6. Cycle or variable credits

221 Variable credit arrangements are those where the borrower retains the initiative to alter the amount of credit extended periodically.

222 The most prevalent arrangements are retail "cycle credit", "revolving credit", and budget accounts.

223 Charges appear to be commonly calculated and expressed in dollars added to a monthly balance. Sometimes the charges are calculated and expressed as a percentage rate added to the balance outstanding at a month-end. These dollar charges, even if made on the basis of percentage rates, do not necessarily bear any direct co-relation to the amount of credit extended on average over the period.

224 The charges are seldom expressed as an annual percentage.

225 It is recognized that determination of a true annual rate per cent would be difficult because of the fluctuating daily balance.

7. No identifiable charge

226 Credits advanced where no separate identifiable charge is made. Dining club, oil company, air travel and rent-a-car credits are examples.

8. Mortgages arranged through registered mortgage brokers

227 Persons registered as mortgage brokers in Ontario are required to prepare and submit to a borrower of mortgage funds a Statement of Mortgage Form. This form requires a clear statement of the principal sum borrowed, all charges against the borrower deducted from the principal sum, the interest rate being charged on the principal amount and the net amount receivable by the borrower. The form also requires a calculation and disclosure of all charges made expressed as an all-inclusive effective annual rate per cent.

228 The Committee found that the method of calculation and expression required by the form is a "minimum annual rate" which might be somewhat less than the true rate applicable to the case. The Committee concluded that this section of the Statement of Mortgage Form be amended, so as to provide for the disclosure of the true effective annual rate (see Appendix 8).

229 Since public hearings of this Committee started, there has been a decline in the effective interest rates charged in respect to second mortgages in Ontario. It has also been reported that greater rationalization is now apparent in the second mortgage market.

230 It appears that publicity about the Committee's deliberations encouraged this change.

231 Loans or credits may be classified as follows:

1. Fully amortized loans

232 Here, finance charges are paid in "blended" payments of equal amount over a fixed term according to a schedule designed to discharge both principal and interest exactly by maturity. Examples are:

Retail instalment sales contracts
First mortgages given by institutional lenders
Small Loans Act loans
"Personal" loans from banks.

2. Non-amortized loans

233 Principal and interest (or finance charges) are accounted for separately (although perhaps paid simultaneously) according to arrangements which may or may not be designed to pay the principal in full before maturity. Examples are:

Seasonal loans—e.g., to farmers, teachers
Commercial bank loans
Bonds and debentures
Cycle credits
Some first and second mortgages.

3. Partly amortized advances

234 Only a portion of the loan is repaid on an amortized basis and gives rise to an unpaid balance of principal and/or interest remaining at maturity. This balance is commonly referred to as the balloon. Examples are:

Some first and second mortgages
Some retail instalment sales contracts
e.g., Sale of house repairs.

COST OF BORROWING EXPRESSED AS A PERCENTAGE RATE

235 Lenders who do not commonly calculate or express costs of borrowing in terms of a percentage rate object to so doing on several grounds. The main objections which have been submitted are:

1. In certain cases it is difficult, if not impossible, to determine accurately the true rate per cent.
2. The administrative cost and difficulty of making such calculations and disclosure would be onerous.
3. Disclosure of finance costs as a percentage rate would not be understood by the borrower.
4. Service and administrative cost forming part of the finance charge should not be included in calculation of an "interest" rate.
5. Disclosure would result in a transfer of a portion of present finance charges to the prices of goods or services.

236 The Committee's financial consultant evaluated these contentions. His report thereon is submitted as Appendix 1.

237 In summary the report expresses the following conclusions:

1. It it mathematically possible to calculate accurately the costs of borrowing in terms of a true effective rate per cent per period or per annum in regard to all types of loan or credit arrangements with the exception of cycle credit arrangements.

2. It is administratively feasible to determine and disclose such true rates by use of accurate tables appropriate to each type of loan or credit arrangement. Some cost would be incurred because of the additional clerical work involved. An exception is also made in regard to cycle credits.

3. Actuarial methods of calculation could be used in all cases in which simple arithmetic does not suffice. Various short-cut formulae (e.g., constant ratio, direct ratio, add-on per cent) are not always sufficiently accurate for valid comparisons.

4. Practical clerical tables, actuarially based, may be prepared giving the true rate to an accuracy of ⅛ of 1 per cent or better per annum.

5. Cycle or variable credits must be treated separately.
These accounts have distinctive characteristics:
(a) The debtor retains the initiative in purchase and payment, thereby creating variability as to the amount of credit extended from day to day.
(b) Calculation of charges on a daily basis is administratively impractical.

238 No practical and easily applied formula with sufficient accuracy has been devised to provide for calculation of a true rate per cent on a monthly or annual basis.

239 Calculation of charges at a monthly or annual rate based on a previous or current month's balance appears to be the feasible approach until use of computers makes daily calculation possible. The Retail Council of Canada has indicated that it is willing to foster this practice.

240 The financial consultant prepared a table giving true actuarial rates per period and per annum covering a range of rates from 6 per cent per annum to 30.84 per cent per annum and from one to one hundred and twenty periods. As the table is voluminous a sample page is submitted as Appendix 2. These tables may be extended to cover a wider range of rates and periods.

241 A sample working table devised from these actuarial tables has also been prepared (see Appendix 5). This sample table is calculated at 18 per cent per annum for loan balances up to $1,000.00 payable over 12 months. Instructions for use of this table and comparison to use of an add-on table presently used are also submitted (see Appendices 3, 4 and 6).

242 The Committee was advised that such working tables may be developed for each type of loan arrangement. An example of a true rate table has also been prepared with respect to small loans and is presented as Appendix 7.

243 Certain publishing houses are equipped to prepare working tables of this type showing the true effective annual or monthly percentage rates for any type of loan or credit arrangement (except cycle credits) covering any range of rates or periods. A pamphlet issued by The Financial Publishing Company of Boston, Massachusetts, appears as Appendix 9 and serves as an example.

REVELATION OF FINANCE CHARGES—EXAMPLES

244 A number of lenders furnished the Committee with copies of tables or schedules prepared for their own use or for the information of borrowers. Examples of these are attached as Appendices 10 to 18.

245 These schedules did not reveal the effective rates in percentage terms, but such rates are readily derived therefrom by actuarial means.

DISCLOSURE OF FINANCE CHARGES IN OTHER JURISDICTIONS

United States

CALIFORNIA AND NEW YORK

246 In both states disclosure of dollar amounts of finance charges only is required for retail instalment sales contracts and such amounts may not exceed maximums permitted. In California the maximum charges must be calculated as add-on percentages. In New York the add-on maximum is expressed in terms of dollars per hundred dollars per annum (see Appendix 29).

247 Finance charges for personal small cash loans are also limited by maximums calculated as a per cent per annum.

248 In both states, cycle credit accounts receive special treatment, the maximum amount chargeable being expressed as a percentage applied monthly to the unpaid balance.

249 These regulations are given as follows:

CALIFORNIA

Retail Installment Sales

Motor vehicles

Rees-Levering Automobile Sales Finance Act

1 per cent per month times number of months in the contract (see Appendix 26).

Other than motor vehicles

Unruh Retail Installment Sales Act

5/6 of 1 per cent per month times number of months in the contract for balances up to $1,000.00

⅔ of 1 per cent per month times number of months in the contract for balances over $1,000.00 (see Appendix 27).

Cycle credit accounts

1½ per cent per month on balances up to $1,000.00

1 per cent per month on balances over $1,000.00.

Small cash loans

Personal Property Brokers Law

2½ per cent per month on first $200.00 of balance
2 per cent per month on next $300.00 of balance
5/6 per cent per month on portion of balances exceeding $500.00.

NEW YORK

Retail Instalment Sales

Motor vehicles

Article 9, Personal Property Law from $7.00 per $100.00 per annum to $13.00 per $100.00 per annum depending on age of new and used vehicles (see Appendix 28).

Other than motor vehicles

Article 10, Personal Property Law

$10.00 per $100.00 per annum on balances of $500.00 or less
$8.00 per $100.00 per annum on balances over $500.00 (see Appendix 29).

Revolving credits

Charged on the outstanding balance from month to month:

1½ per cent per month for $500.00 or less
1 per cent per month for over $500.00.

Personal loans

2½ per cent per month on first $100.00
2 per cent per month on next $200.00
¾ of 1 per cent per month $301.00 to $800.00 maximum.

250 Both California and New York permit minimum dollar charges for small balances which exceed the permissible level of charges which would otherwise apply.

FEDERAL JURISDICTION

251 Senator Douglas has proposed a "Truth in Lending Bill" presently in Committee stage in the United States Senate (attached as Appendix 19). This draft bill provides:

(a) In respect to cycle credit accounts: disclosure of the finance charge which will be imposed monthly or periodically on the outstanding unpaid balances from time to time stated in terms of a percentage or percentages of such balances, and the minimum dollars and cents charge or charges, if any.

(b) Other types of credit: disclosure of the finance charge expressed as a simple annual rate percentage in addition to disclosure of the charges in dollars.

(c) Commercial transactions are excepted.

OTHER UNITED STATES LEGISLATION

252 The Sub-Committee of the Committee on Banking and Currency, United

States Senate, known as the "Douglas" Committee compiled summaries of state legislation up to April, 1962, dealing with statutory requirements in respect to lending practices covering most common types of loan arrangements.

253 Attached are Appendices 20, 21 and 22 which summarize the findings of the "Douglas" Committee as to state legislation in respect to disclosure.

Appendix 20: State law provisions for disclosures similar to the disclosure requirements in "Truth in Lending".

Appendix 21: States that require disclosure of "Amount" of finance charges.

Appendix 22: State revolving credit laws.

254 The three Appendices covering state laws indicate that no state law contains all the disclosure requirements of "Truth in Lending" but some states do require disclosure of percentage rates in some instances. These are:

Small Loans
Colorado
Tennessee
Vermont
Wisconsin
Wyoming

Conditional Sales
Massachusetts

Industrial Loans
Maryland

Retail Instalment
Kansas

Revolving Credits
North Dakota

255 Certain other states permit disclosure of a percentage rate as an alternative to disclosure by dollar amount. Most states having disclosure requirements provide only for disclosure of finance charges in dollar amount.

256 A Bill requiring disclosure of a percentage rate, introduced in the last Session of the Massachusetts Legislature (attached as Appendix 23).*

*This Bill is presently before the Ways and Means Committee of the Senate of Massachusetts.

United Kingdom

257 The Molony Commission in the United Kingdom reported itself against disclosure of finance charges in terms of a percentage rate per annum, apparently for reasons similar to those which have been submitted to this Committee and have been outlined herein. Disclosure of dollar charges is required indirectly.

258 While direct disclosure of a percentage rate is not required in the contract, there is a requirement that if the lender advertises terms of lending by quoting a percentage rate such percentage rate must be expressed, accurately, as a simple effective percentage rate per annum.

Canada

FEDERAL LEGISLATION

259 The Interest Act requires sinking fund plans of mortgage repayment (or blended principal and interest payments) to show the interest rate as interest calculated yearly or half-yearly and not in advance in all cases where interest must be shown.

260 The Small Loans Act requires disclosure of interest as a percentage rate per month and per annum on loans to a maximum of $1,500.00. The requirements are:

on the first $300.00, 2 per cent per month (24 per cent per annum)
on the next $700.00, 1 per cent per month (12 per cent per annum)
on the next $500.00, ½ of 1 per cent per month (6 per cent per annum).

PROVINCIAL LEGISLATION

261 **Quebec** has an Instalment Sales Act covering contracts to $800.00, requiring indirect disclosure of the dollar cost of borrowing by revelation of the cash price, down payment and time price.

262 In **Alberta** the Credit and Loan Agreements Act requires disclosure of the dollar cost of borrowing by revelation of the cash price, down payment and time price, *or* as a rate per cent per annum. Another statute requiring disclosure of costs of borrowing in dollar amount and simple annual rate has not been proclaimed.

263 **Manitoba** introduced a disclosure-type statute in 1962, which was restricted to time sales in which finance charges were to be stated as a simple annual rate. This bill was not proclaimed and has since been amended, deleting the requirement to disclose a rate percentage if the dollar amount of the finance charges is shown.

264 A Royal Commission in **Nova Scotia** (the Moreira Commission) has recently reported in favour of legislation requiring disclosure of finance charges as a simple annual rate. A Bill, implementing this report, received first reading on March 12, 1965, in the Nova Scotia Legislature and has now received Royal Assent.

Australia

265 Has no disclosure requirements.

The foregoing legislation is reviewed in more detail as Appendix 30.

SPECIAL PROBLEMS OF THE CHARTERED BANKS

266 Representatives of the Chartered Banks have submitted that under the Bank Act, a Federal statute, they are not permitted to charge more than 6 per cent per annum.

267 Evidence submitted by banks indicates, however, that administrative and other charges are made in addition to the 6 per cent interest charge in "Personal loans". These loans are amortized, requiring repayment in fixed instalments blended as to principal and finance charges. Examples of schedules setting forth these charges are attached as Appendices 10, 11, 12, 13 and 14.

268 The Committee was advised that if such charges (including 6 per cent interest) were to be expressed as simple annual percentage rates the effective annual rate or rates charged by banks would be 9 per cent to 12 per cent.

269 Other lenders have asserted that the public is under the impression that personal loans from banks are available at a simple 6 per cent per annum rate (including all charges) and that such an impression creates an obstacle to the lending of funds in cases where charges higher than an effective annual rate of 6 per cent per annum apply and are revealed.

270 In these circumstances lenders whose customary effective annual rate may be, say, 18 per cent claim that they would be placed in an unfair competitive position if they were required to disclose a rate of 18 per cent per annum.

271 Some non-bank lenders have conveyed the impression that resistance to disclosure of effective annual rates might be less firm if Chartered Banks were subject to the same requirement.

ECONOMIC CONSIDERATIONS

272 Some witnesses have argued that disclosure of effective interest rates would cause a decline in consumer buying with consequent adverse economic effects.

273 Other possible economic results have been suggested:

1. Transfer of part of finance charges to the prices of goods would occur.
2. Shift of demand for funds from one lender to another perhaps benefiting lenders, particularly in retailing.
3. General lowering of interest rates, thereby stimulating borrowing to offset the deflationary effects of disclosure and releasing further consumer funds for direct expenditure on goods or services.

274 These possible economic ramifications have not been the subject of detailed study by our Committee, nor have we become aware of any conclusive evaluation of these problems elsewhere.

EDUCATION

275 The Consumer Council of Canada and other witnesses appearing before the Committee recommended that the borrowing public be educated in personal financing and disclosure of finance charges. This programme should be part of the school curriculum and should be embraced by adult education programmes.

276 New York State was active in informing and educating consumers. Appendix 24 explains the maximum charges permitted in the State of New York. Appendix 25 is a short Credit Guide issued by the Superintendent of Documents, Washington, D.C., instructing borrowers in methods of determining approximate rates of interest.

OBSERVATIONS AND CONCLUSIONS

277 Disclosure of the costs of borrowing is essential, in the interests of the consumer, and for the improvement and stabilization of the market for credit.

278 It is most desirable that such disclosure be in the form of an effective annual rate per cent applied to the balance of credit outstanding from time to time.

279 The determination of rates per cent per annum is mathematically feasible and the use of appropriate tables will enable disclosure of a rate per cent to be accomplished with little or no increase in administrative burden. The calculations should be made actuarially. Short-cut formulae are not recommended.

280 An exception is made in regard to cycle credits. Administrative difficulties require that rate disclosure be limited to a monthly rate chargeable on the monthly balance without regard to the mathematical accuracy of these charges in relation to the balance of an account from day to day.

281 Disclosure of finance charges in dollars should be required in addition to monthly or annual percentage rates.

282 The many objections advanced by lenders and grantors of credit to such form of disclosure were given full consideration but the Committee felt that most of these objections were insufficiently valid to cause abandonment of the foregoing conclusions. The Committee recognizes that Provincial legislation in respect to disclosure in terms of annual rates may impinge upon Federal jurisdiction and that economic and market adjustments may ensue from rate disclosure.

283 In deference to these possible problem areas the Committee devoted considerable attention to a disclosure formula which requires calculation of the costs of borrowing in terms of a stated dollar charge per annum for each $100.00 of the principal of a contract. This formula enjoys extensive recognition in practice and in legislation in a number of States of the United States, but is restricted to retail instalment credit contracts (see Appendices 24 and 29). Such form of expression is capable of precise calculation, provides a standard of comparison as between lenders and contracts and appears to be entirely within Provincial jurisdiction. Despite these attractions the formula is not readily applicable to other forms of cash or credit lending and was, therefore, considered to be unsatisfactory in the absence of universal application.

284 After due consideration the Committee has concluded that complementary or Federal and Provincial legislation will overcome jurisdictional problems and, these being resolved, expression of the costs of borrowing in terms of an effective annual rate is the only entirely satisfactory method of disclosure.

ASSESSMENT AND RECOMMENDATIONS

285 The single most controversial matter considered by the Committee was that of disclosure. Almost all of the witnesses who appeared before the Committee agreed that the lender should make full disclosure of credit costs in that he should inform the borrower when the loan is made, or the credit given, of the full and detailed cost of the loan, and precisely how and when it is to be repaid. The sharp differences of opinion concerned the way in which those costs should be expressed. On the one hand it was argued that the statement of loan costs in dollars was the simple, meaningful and accurate method. On the other hand some consumer associations, and Senator Douglas and those who support his "Truth in Lending Bill", argued with equal vigour and conviction that the most meaningful statement of loan costs was by expressing them as an annual interest percentage. Some witnesses expressed the view that the loan costs should be stated both as dollar absolutes and as percentages.

286 The Committee strongly recommends that there be full disclosure of loan costs, and is impressed by the way disclosure is provided for in the legislation of the States of California and New York. Neither of those States, nor indeed any legislature in North America (other than Nova Scotia in an Act which received the Royal Assent on April 7, 1965), does at this time compel disclosure as an annual interest percentage, although it would seem to be conceded that, except as to cyclical or revolving credit accounts, it is feasible so to do.

287 After the fullest consideration, the Committee has come to the view that disclosure should be made both in dollar amounts and as an annual interest percentage. If, because of the Federal control of Banks, this Legislature cannot make such legislation applicable to all lenders, it is suggested that there should be either comprehensive Federal legislation by which all lenders would be bound, or alternatively, complementary Federal and Provincial legislation. It would certainly be preferable if the legislation compelling disclosure were Canada-wide, as there would arise many practical difficulties if some Provinces required a percentage disclosure and others did not.

288 As to cyclical accounts, it was conceded that the difficulties in expressing the loan cost as an annual percentage are almost insurmountable, but it was also conceded that there was no difficulty in expressing the cost as a percentage of the last monthly balance; i.e., 1 per cent, 1½ per cent, 2 per cent, or as the lender chose, added to the balance at the date chosen, say,

the first of the month preceding. Indeed, many grantors of cyclical credit do now charge on a percentage basis. They should also be permitted to stipulate for a minimum monthly add-on, to cover those accounts where even a 2 per cent add-on would be inadequate recompense for the service given; e.g., accounts under, say, $20.00, or whatever floor the lender may select. The Committee therefore recommends that as to cyclical accounts the charges should be disclosed as a monthly percentage add-on, with a minimum charge if the lender so desires. The percentage to be charged, and the minimum charge if any, should be disclosed to the borrower when the credit is granted. These provisions with respect to cyclical accounts should also be made to apply to open account credits which are subject to repayment at any time and with respect to which a charge is made.

289 Although it is a Federal measure, the Committee is of the opinion that contracts for loans obtained under the Small Loans Act should include disclosure of the effective rate of interest applicable to the entire principal for the entire term of the loan (see Appendix 36).

AN ONTARIO RETAIL INSTALMENT SALES ACT

290 The Committee is of the opinion that all the recommendations contained in this Report should be incorporated in a comprehensive statute called "The Ontario Retail Instalment Sales Act".

291 For quick reference, the Committee's recommendations in the main areas of consumer credit are shown below. The numbers in parentheses at the end of each recommendation refer to the paragraph numbers of the recommendations as they appear in the body of the Report.

292 **1. EDUCATING THE PUBLIC IN CONSUMER CREDIT**

The Committee concludes that a two-pronged educational programme should be instituted and recommends that:

(a) The Legislature direct the Department of Education to provide consumer credit instruction for young people in the secondary school curriculum as part of an existing course of study, such as household economics or mathematics.

(b) The Legislature direct the appropriate Department of Government to provide consumer credit information to the adult population, using booklets, pamphlets, mass advertising media and other modern methods in co-operation with financial and commercial organizations. It may well be that this would be best done through the proposed Consumer Fraud Bureau. (76)

293 **2. THE INFLUENCE OF ADVERTISING IN CONSUMER CREDIT**

If it is within the power of the Ontario Legislature, the Committee recommends that, to restrict misleading advertising, an Act similar to the Hire-Purchase Act in the United Kingdom should be enacted, providing that where a rate of interest is advertised it shall be stated as a true annual rate and should cover all grantors of credit, and if details of repayment are included, the effective rate of interest must also be specified. (85)

294 **3. DEBT COUNSELLING SERVICE**

There is a real need for a debt counselling service in Ontario. The Committee believes it preferable that such a service should not be operated by, or under the control of, the Government, though it may be that the Government should consider giving some financial aid to services of this kind and encouragement to institutions in the field. (90)

295 **4. CONSUMER FRAUD BUREAU**

The Committee recommends that a branch be established in the Attorney-General's Department to carry out functions similar to those of the Consumer Protection and Fraud Bureau of the State of New York, which deals with all kinds of consumer complaints and is not restricted to credit transactions. (98)

296 **5. DOOR-TO-DOOR SELLING**

The Committee recommends that all persons or firms employing door-to-

door salesmen should be registered, they in turn being responsible for their individual salesmen. Certain types of door-to-door salesmen (for example, farmers selling their agricultural products) could be exempt from registration by regulation. This requirement for registration should not interfere with the present licensing powers of the municipalities. (113)

297 **6. COOLING-OFF PERIOD**

The Committee recommends the enactment in Ontario of legislation similar to that in force in the United Kingdom, providing for a "cooling-off" period when a sale is made on credit at a place other than the ordinary place of business of the seller, thus giving the householder the right to repudiate a sale made at the door if notice of repudiation is given within two days. (122)

298 **7. COMPULSORY MINIMUM DOWN PAYMENTS**

The Committee is of the opinion that at this time no down payment legislation should be enacted. (130)

299 **8. LICENSING OF FINANCE COMPANIES**

After a careful consideration of all representations, the Committee concludes that as virtually all finance companies are now licensed under the Small Loans Act, and are thus adequately supervised, there is no present need for a provincial license. (136)

300 The Committee recommends that the use of the word "finance" or "acceptance" in a company's name should only be permitted when the Provincial Secretary is satisfied with the bona fides and financial stability of the applicants. (137)

301 **9. "HOT" (OR NON-RECOURSE) PAPER**

The Committee recommends that such notes should be subject to all rights and obligations which the purchaser might have asserted against the seller. (150)

302 **10. REBATES FOR PREPAYMENT IF CONTRACT PAID BEFORE MATURITY**

The Commitee recommends that the buyer be entitled to a rebate or refund of a portion of finance charges, determined on the principle of the Rule of 78ths, subject to retention by the lender of a reasonable acquisition charge. Such charge should be proportionate to the total amount of the contract, such as $12.50 for motor vehicle contracts and $5.00 in other cases. (157)

303 **11. MORTGAGE FORM REQUIREMENTS**

The Committee is of the opinion that a clear, concise method of arriving at interest figures should be evolved and further is of the opinion that the Statement of Mortgage Form should require that the maximum (rather than the minimum) interest payable be shown. (162)

304 **12. THE SECOND MORTGAGE MARKET**

The Committee is of the opinion that the entry into this field of the major institutional lenders and their anticipated extension of operations into rural areas, combined with effective advertising, which is making the public increasingly aware of their presence, should eliminate the remaining defects in this type of mortgage financing. (166)

305 **13. BALLOON PAYMENTS AND BONUSES**

The Committee recommends that institutional lenders should be encouraged to make money available for residential property mortgages. The Federal Government's recent encouragement to the Chartered Banks to become involved in such financing should have excellent repercussions in this area. (172)

306 The Committee further recommends that the words: "This mortgage is not paid off when the mortgage matures" should be included on the Statement of Mortgage Form and should be printed in ink of a different colour from that used on the other parts of the Form in those contracts where there is a balloon payment. (173)

307 **14. CENTRAL REGISTRATION SYSTEM**

The Committee recommends that Ontario enact legislation similar to that proposed by the draft Personal Property Security Act which was prepared by the Catzman Committee under the aegis of the Attorney-General of Ontario and which adopts a Province-wide system of registration for chattel encumbrances. (180)

308 **15. WAGE ASSIGNMENTS**

The Committee is opposed to the blanket or automatic type of wage assignment and recommends that legislation be enacted in Ontario prohibiting any assignment, or order, for payment of any salary, wages, commission or other compensation for services or any part thereof earned or to be earned. (192)

309 **16. SEIZURE OF GOODS—REPOSSESSION**

The Committee recommends the adoption of the sense of the English legislation which permits repossession only by Court Order after a prescribed percentage of the purchase price has been paid and therefore recommends that after two-thirds of the contract price has been paid, repossession should be permitted only on application to the Court with notice to the buyer. (201)

310 The Committee is of the opinion that a seller should not be able to obtain a lien on goods other than the goods that were the subject of the immediate sale and recommends the enactment of legislation requiring that no contract other than one for services should provide for a lien on any goods fully paid for, or which have not been sold by the seller. (202)

311 **17. DISCLOSURE OF THE COST OF BORROWING**

The single most controversial matter considered by the Committee was that of disclosure. Almost all of the witnesses who appeared before the Committee agreed that the lender should make full disclosure of credit costs in that he should inform the borrower when the loan is made, or the credit given, of the full and detailed cost of the loan and precisely how and when it is to be repaid. The sharp differences of opinion concerned the way in which those costs should be expressed. On the one hand it was argued that the statement of loan costs in dollars was the simple, meaningful and accurate method. On the other hand some consumer associations, and Senator Douglas and those who support his "Truth in Lending Bill", argued with equal vigour and conviction that the most meaningful statement of loan costs was by expressing them as an annual interest percentage. Some witnesses expressed the view that the loan costs should be stated both as dollar absolutes and as percentages. (285)

312 The Committee strongly recommends that there be full disclosure of loan costs, and is impressed by the way disclosure is provided for in the legislation of the States of California and New York. Neither of those States, nor indeed any legislature in North America (other than Nova Scotia in an Act which received the Royal Assent on April 7, 1965), does at this time compel disclosure as an annual interest percentage, although it would seem to be conceded that, except as to cyclical or revolving credit accounts, it is feasible so to do. (286)

313 After the fullest consideration, the Committee has come to the view that disclosure should be made both in dollar amounts and as an annual interest percentage. If, because of the Federal control of Banks, this Legislature cannot make such legislation applicable to all lenders, it is suggested that there should be either comprehensive Federal legislation by which all lenders would be bound, or alternatively, complementary Federal and Provincial legislation. It would certainly be preferable if the legislation compelling disclosure were Canada-wide, as there would arise many practical difficulties if some Provinces required a percentage disclosure and others did not. (287)

314 As to cyclical accounts, it was conceded that the difficulties in expressing the loan cost as an annual percentage are almost insurmountable, but it was also conceded that there was no difficulty in expressing the cost as a percentage of the last monthly balance; i.e., 1 per cent, 1½ per cent, 2 per cent, or as the lender chose, added to the balance at the date chosen, say, the first of the month preceding. Indeed, many grantors of cyclical credit do now charge on a percentage basis. They should also be permitted to stipulate for a minimum monthly add-on, to cover those accounts where even a 2 per cent add-on would be inadequate recompense for the service given; e.g., accounts under, say, $20.00, or whatever floor the lender may select. The Committee therefore recommends that as to cyclical accounts

the charges should be disclosed as a monthly percentage add-on, with a minimum charge if the lender so desires. The percentage to be charged, and the minimum charge if any, should be disclosed to the borrower when the credit is granted. These provisions with respect to cyclical accounts should also be made to apply to open account credits which are subject to repayment at any time and with respect to which a charge is made. (288)

315 Although it is a Federal measure, the Committee is of the opinion that contracts for loans obtained under the Small Loans Act should include disclosure of the effective rate of interest applicable to the entire principal for the entire term of the loan. (see Appendix 36). (289)

AN ONTARIO RETAIL INSTALMENT SALES ACT

316 The Committee is of the opinion that all the recommendations contained in this Report should be incorporated in a comprehensive statute called "The Ontario Retail Instalment Sales Act". (290)

While Mr. Leonard Reilly has signed the Report and agrees with most of the recommendations, he disagrees with the disclosure recommendations. He strongly maintains that dollar disclosure is more meaningful to the consumer.

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SELECT COMMITTEE ON CONSUMER CREDIT

MEMORANDUM

IN RESPECT TO

MATHEMATICAL AND ADMINISTRATIVE

ASPECTS OF CALCULATING THE

COSTS OF BORROWING

AS A PERCENTAGE RATE

SUBMITTED BY

DOUGLAS D. IRWIN

OF

WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants

Toronto,
Sept.14,
1 9 6 4.

SELECT COMMITTEE ON CONSUMER CREDIT

The subject matter, herein, is concerned with mathematical and administrative problems involved in the determination and disclosure of the cost of borrowing expressed as a rate percent of the principal sum.

The committee has received representations to the effect that:

(a) in certain cases it is difficult if not impossible to determine, accurately, the cost of borrowed funds in terms of a rate percent per annum.

(b) that if such a disclosure were required, serious administrative difficulties would be created.

(c) that such disclosure would not be comprehended readily by the borrower.

Certain other arguments in opposition to such disclosure have also been advanced:

(a) that, in certain cases, the charges made are not interest but represent service costs and other expenses.

(b) that disclosure would result in a transfer of cost from money costs to the price of the article.

This memorandum does not deal with considerations of public policy but is confined to an assessment of these representations as they may bear upon mathematical and administrative feasibility.

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Definitions and Assumptions

It is necessary to define certain meanings and comment on certain assumptions which commonly occur:

Interest vs. cost of money

The cost of borrowing money (or credit) includes values in respect to:

1. Pure interest
2. Risk
3. Service costs
4. Direct outlays (e.g. legal fees)

Pure interest is an economic concept of the value attached to the use of money, per se. It is a rent paid by the borrower to compensate the lender because he must defer the satisfaction of wants which immediate use of the money would otherwise bring.

Pure interest rarely exists. Perhaps the closest approach to pure interest is found in the case of a government Treasury Bill in regard to which service cost, direct costs and risk are, practically, non-existent.

It is argued that the costs of borrowing money should not be called interest because of the presence of the other factors in cost. However, the term interest is in common use (e.g. commercial bank loans and by insurance companies in respect to mortgages) even though factors other than pure interest are present. On the other hand lenders on conditional sales contracts abjure use of the term interest on the grounds that their charges are for service.

These different view-points appear to be matters of degree rather than of substance insofar as, except where pure interest occurs, every charge for the use of money includes, in some measure, at least three of the elements mentioned above.

The "non-interest' contention may, perhaps, be resolved by avoiding any reference to interest and referring only to the "cost of borrowing" or "the cost of money".

If this premise is accepted we may escape the philosophical argument and concentrate on the problems of expressing the "cost of money" as a percent per annum (or per period) related to the amount of the principal advanced or to the balance of principal unpaid from time to time.

In this memorandum, for purposes of illustration and calculation, all of the four elements of cost are deemed to be included.

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Methods of calculation

There are several methods used to calculate cost of money as a rate percent. Those in more or less general use are:

1. Constant ratio

   - a short-cut formula which gives an approximation of the rate but which becomes more inaccurate as the terms of the contract are longer and the ratio of finance charges to principal becomes higher.

2. Direct ratio

   - a short-cut formula giving an approximation of the rate more exact than the constant ratio formula but still subject to margins of error which could lead to dispute.

3. Add-on and yield formulae

   - a % added on to the principal. These forms are used by those who expect a certain % yield return which is converted to a simple arithmetic add-on by use of tables. The tendency is to round-out the add-on % to even dollars and to apply the add-on dollars to ranges of loans within say $10 intervals. The actual rate charged may vary significantly between that applicable to the loan at the lower end of the range and that applicable at the higher end of the range.

4. Many variations of the foregoing methods are subject to the same criticisms. Many lenders develop their own formulae.

5. Simple interest calculations on a daily, yearly or other periodic basis with or without compounding.

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6. Actuarial method

This is a general term describing methods used by actuaries to determine rates % employing higher mathematical formulae. For practical use, standard tables, derived from these actuarial formulae have been developed and are readily available. In addition actuarial tables, to suit special purposes, may be obtained from several publishing houses and actuarial organizations. In fact such special tables are in general use by lenders.

Accuracy of methods

It has been submitted that if you ask six different people to calculate the true rate of interest in regard to the same loan contract you may get six widely different answers. The inference is made that this demonstrates the futility and inaccuracy of making the calculations at all.

This criticism is a half-truth.

Because of the number of different methods it follows that if each of the six calculators use a different method different results will ensue. Furthermore some of the calculators may make different assumptions as to:

(a) exclusion of some of the elements of the finance charge (e.g. legal fees)

(b) compounding of interest

In regard to (a) it is obvious that for purposes of comparison, none of the factors may be left out of calculation.

In regard to (b) compounding should not be assumed unless it does, in fact, take place.

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Certain tables are available which are based upon compounding at periodic intervals i.e. daily, weekly, monthly, quarterly, half-yearly, yearly. These tables are, in turn, sometimes applied incorrectly in respect to contracts which in reality do not include a compounding feature. When this is so the rate derived from the tables will not reflect the true rate applicable to the contract.

Compounding occurs only if interest is charged but is not paid (i.e. interest is carried forward). In most instalment payment contracts, for example, interest is paid as it accrues and no compounding actually takes place. It is a question of fact in every case whether or not compounding occurs. Lack of precision in regard to compounding may be corrected by exact stipulation in the contract.

In presenting a problem for solution to six different calculators the following should apply:

(a) the terms of reference must be exact and identical for each calculator.

(b) each calculator must use the same method.

If these conditions are met the six calculators will produce six identical answers (E.& O.E.) to the same problem. Similarly these conditions being applied to six different problems the six results will be mathematically comparable.

It follows from the above that if all lenders were required to use the same method of calculating the costs of borrowing as a rate percent a borrower would be enabled to make a valid comparison between rates offered by lender A or lender B for an otherwise identical loan.

Legislation, if enacted, covering disclosure of costs of money as a rate % would need, therefore, to establish a common terminology and a common basis for calculation, of universal application.

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Selection of method

In respect to mathematical methods loan arrangements may be classified into general types:

1. Contracts requiring specified payments of principal and specified rates or amounts of interest (cost) each paid separately e.g. commercial bank loan, non-amortized mortgages.
   These are essentially simple or compound interest problems resolveable by arithmetic.
2. Contracts requiring blended payments of principal and interest e.g. conditional sales contracts, amortized mortgages.
   These are resolveable by use of actuarial methods.
3. Contracts which are combinations of 1 and 2.

As will be explained the revolving credit account is not readily reducible to simple mathematical formulae.

In respect to all other loan contracts a rate % may be determined by methods 1 or 2, or a combination of both.

Review of the various methods available leads to the conclusion that use of actuarial methods only provides means of calculation having universal validity in cases where simple interest calculations are impracticable.

An important point to observe is that while it may be a difficult mathematical exercise to deduce the true rate % from a stated case wherein the amount of finance charges is given but in which the rate is unknown to the calculator (borrower) it is a relatively simple exercise for the lender to select and state the rate to begin with and to derive, therefrom, the total finance charges exigible.

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Forward calculation from stated rate to total charges is infinitely less difficult than the mathematical difficulty of deriving an unknown rate from the stated charges.

The actuarial method

We need not belabour the mathematics of simple interest calculations but the actuarial method requires some explanation.

Instalment contracts with blended payments of principal and interest (e.g. an amortized mortgage, a conditional sales contract) are mathematically equivalent to annuities in one form or another.

The principal sum is in effect the present value of an annuity to be received. Actuarial tables express this as the present value of an annuity of one with interest payable in arrears. If the rate per period is unknown but all other factors in a problem are known the rate may be determined from these tables.

Standard tables of this type, however, are produced on the basis of intervals in rate of 1/8 of 1% per period in the lower ranges, intervals of 1/4 of 1% per period in the middle ranges and 1/2 of 1% per period in the upper ranges.

Where compounding does not occur a monthly rate of 1% may be expressed as a nominal annual rate of 12% chargeable monthly. The next higher rate of $1\frac{1}{4}$% per month becomes 15% p.a. - a difference of 3% p.a. Obviously the actual rate of a given problem might lie somewhere between 12% p.a. and 15% p.a. and use of either rate would be substantially inaccurate.

In the interest of greater accuracy it is necessary to create actuarial tables with very much narrower rate intervals.

The writer has, therefore, evolved and caused to be produced actuarial tables for the "present value of an annuity of $1 payable in arrears" at rate intervals of 1/100 of 1% per period (e.g. month). These tables result in annual rates moving at intervals of 1/8 of 1% per annum. The margin of error for the annual rate cannot therefore exceed 1/8 of 1% p.a. The range covered is from .005% per period ($\frac{1}{2}$ of 1%) to .0257% per period ($2\frac{1}{2}\%$ +) and from 1 to 120 periods.

These tables have been produced experimentally. They could be further refined to produce annual rates with margins of error of 1/16, 1/32, 1/64 etc. of 1% per annum.

Disclosure with an accuracy of within 1/8 of 1% p.a. might be considered sufficiently valid for purposes of comparison herein.

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Use of the tables

In the case of blended payment contracts (or aspects of contracts) the rate may be found, using the tables as follows:

A Determine:

(1) The principal advanced

(2) The aggregate payable

(3) The number of payments

B Multiply the principal by the number of payments ((1) x (3) above) and divide by the aggregate ((2) above)

C A factor evolves from step B which factor may be found in the tables in a column of figures giving the monthly and the annual rate % applicable to the number of payments in the contract.

The writer does not suggest that a clerk making out a contract form should be required to go through all of these steps. Administrative burden should be kept to a minimum.

Business experience, however, indicates that the clerk now performs step A with tables now in use. The clerk could also be provided with actuarially based tables which include steps B and C.

The clerk would perform essentially the same task but his new tables would not only provide the information presently given to the borrower as to principal, aggregate, finance charges and payment per month, all in dollars, but the rate % per annum as well.

Specific applications

The classifications and sub-classifications of loan contracts may now be analyzed and methods suggested for determining rates applicable to each:

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1. Small loans act

Rates permissible by law are:

2% per month of the first $300.00

1% per month on the next $700.00

½% per month on the next $500.00

Determination of the over-all effective rate for any given loan, by deduction, is a relatively difficult assignment.

However, in consultation with one of the lenders under this act it was found that their present tables were readily adaptable to the declaration of a yearly rate for all categories of loan offered by them merely by pre-calculating the rates and adding them to their present schedules.

Very accurate and comprehensive tables are used by this lender which comply exactly with the Small Loans Act for any amount of principal outstanding for any number of periods and provide ready calculations in regard to late, prior or skipped payments.

The writer has extracted part of this lender's published schedule of charges and has added a column to show the effective annual rate % calculated actuarially. The clerk in preparing the contract would merely read off and disclose the rate along with the information already provided by the tables. (see Appendix I).

2. Conditional sales contracts

Several retailers were requested to furnish information as to their present methods of determining finance charges and examples of actual loan contracts in their files.

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In all cases these contracts were found to be reducible to annuity problems and rates could be determined from the present value tables. Tables are presently in use based on the add-on principle. Effective rates % are not given. Upon analysis it has been found that the effective rates vary significantly in respect to dollar amounts of loans bearing the same add-on.

Revised tables could be prepared showing effective rates and within narrower ranges of loan balances, based on actuarial tables.

The procedures to be employed to determine an effective rate % are demonstrated in respect to an actual loan contract as follows:

Amount borrowed	$256.77
Finance charges added	45.00
Aggregate to be paid	$301.77

Payments required are:

17 @ $17.00	$289.00
1 @ $12.77	12.77
18 @ avg. of $16.76 (5)	$301.77

Procedure

1. $256.77 multiplied by 18 = $4,621.86
2. Divide by $301.77 = Factor of .15315836
3. From tables the factor .15315836 is very close to a rate of 21.12% p.a.

The same factor is also produced by dividing the principal of $256.77 by the average payment of $16.765. The rate would be the same 21.12% p.a.

Note The exact rate in the above problem is slightly higher than 21.12% because the last payment of $12.77 is considerably below the level of the other payments. (In fact the exact rate is 21.36% p.a.)

This inaccuracy may be eliminated if regulations were to require that no payment might differ from the average of all payments by more than say 10%.

This rule applied to this problem would result in a comparative rate of 21.12% which would be within 1/8 of 1% of the true rate.

3. Mortgage loan

- Fully amortized by maturity

- All charges including legal fees to be included in calculation (Note where there are no charges other than interest the stated rate is the effective rate)

Example:

Principal		$10,000.00
Deduct		
Legal fees	$100.00	
Other	35.00	135.00
Net to borrower		$ 9,865.00

Stated rate 6 %

Term - 10 years

Blended payments of $111.02 per month for 120 months

Aggregate of payments $13,322.46

Solution

Determine actuarial factor

$9,865.00 is present value of $111.02 per month for 120 months.

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Factor is

$$\frac{\$9,865.00 \times 120}{\$13,322.46} = 88.8574632$$

From tables the nearest rate is 6.36%

The exact rate is 6.30% but 6.36% is more accurate than either of the nearest other table rates of 6.24% p.a. or 6.48% p.a.

4. Mortgage loan

- Blended payments but with a balloon payment at maturity.

Part of the principal is amortized over a term the balance being due at maturity.

(a) Where there are no charges of any kind the stated rate is the effective rate.

(b) Where there are other charges we have two problems

- An effective rate to maturity on the amortized portion
- The stated rate on the balloon payment

Example

6 % 10 year mortgage of $10,000.00

$5,000.00 remaining at maturity

Principal payable over 10 years	$5,000.00
Deduct	
Costs	120.00
Net received	$4,880.00

The loan is payable as to $5,000.00 principal in blended payments of $55.51 p.a. plus interest on the balloon.

Aggregate of blended payments if $6,661.23

$4,880.00 is p.v. of $55.51 for 120 months

Solution

Factor is $\frac{\$4,880.00 \times 120}{\$6,661.23} = 87.9116919$

From tables the nearest rate is 6.48% p.a. (actually 6.54%) in respect to the amortized portion of the loan

Stated rate of 6 % applies on the balloon portion.

5. Mortgage loan

Fully amortized with bonus and charges

Example

6 % mortgage payable over 10 years

Principal		$10,000.00
Deduct		
Bonus	$2,000.00	
Charges	1,000.00	3,000.00
Net cash received		$ 7,000.00

Payable over 120 months @ $111.02 per month

Aggregate payable is $13,322.46

Solution

$7,000.00 is present value of 120 payments at $111.02 per month

Factor is $\frac{\$7,000.00 \times 120}{\$13,322.46} = 63.05141843$

From tables the nearest rate is 14.52% p.a. (actual rate 14.55% p.a.)

6. Mortgage loans

Partially amortized loan with bonus and charges

Example

6 % mortgage of $10,000.00 payable as to $5,000.00 by amortization over 10 years with $5,000.00 balloon at maturity (10 years hence).

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Statement of loan

		Amortized	Balloon	Total
Principal		$5,000.00	$5,000.00	$10,000.00
Deduct				
Bonus	$1,500.00			
Charges	300.00	1,800.00		1,800.00
Net received		$3,200.00	$5,000.00	$ 8,200.00

Payable as to $5,000.00 amortized at $55.51 per month for 120 months plus interest on the balloon.

Aggregate payable is $6,661.23 re the amortized portion.

Rate on amortized portion is

Factor is $\frac{\$3,200.00 \times 120}{\$6,661.23} = 57.64701$

Nearest rate from table is 16.92%

(actual 16.94%)

Rate on balloon is the stated rate of 6 %

7. Non-amortized mortgages

Where principal is paid separately and interest is calculated and paid separately.

The rate of interest charged is known to the lender otherwise the finance charge is purely arbitrary and a rate must be derived.

Representative types are:

(a) Non-amortized mortgage with no bonus, no charges and a stated rate. There is no problem in this case as the stated rate will be applied to the unpaid balance from time to time and will, in fact, be the effective rate.

(b) Non-amortized mortgages with bonus and charges

Example

Loan of $12,000.00 payable as to principal over 10 years at $100.00 per month plus interest at 6% charged and paid as accrued and subject to bonus and other charges.

Statement

Principal		$12,000.00
Less		
Bonus	$2,000.00	
Charges	1,000.00	3,000.00
Net received		$ 9,000.00

By factoring the account at .05% per month we determine that total interest charged on $12,000.00 for 10 years is $3,630.00 . Total costs of borrowing $9,000.00 are $6,630.00 ($3,000.00 + $3,630.00). Total payments amount to $15,630.00. By use of algebra we determine that:
$9,000.00 is the present value of the sum of all the payments with interest at .0113% per month or a nominal annual rate of 13.56% p.a. chargeable monthly.

8. Skipped payment contracts

These problems are of two types

- payments defaulted by borrower
- deferred payments written into the contract

Defaulted payments pose no significant problem. Once the effective rate is known (and in most cases it is known to the lender and if not known it may be derived) that rate may be applied to the principal included in the defaulted payment for the number of days of default and thus determine the additional charge in dollars.

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Deferred payments written into the contract present no problem if the rate is known to the lender. The additional interest charges in respect to the deferred payment may be calculated as in the foregoing paragraph. If the rate is not known it must first be derived.

If we are required to derive a rate from a stated case the mathematical problems are more difficult.

Example

Conditional Sales Contract

Automobile sold to a teacher

Amount to be financed	$2,400.00
Finance charges	460.00
Aggregate	$2,860.00

Payable $100.00 per month from February 1962 to September 1964 both inclusive except July, August, September 1962.

There are 28 payments of $100.00 and 1 payment of $60.00

Average payment is $98.62 per month

Procedure

1. Factor the account in regard to skipped payments - 3 payments of $100.00 each, each deferred 24 months is equivalent to $7,200.00 for 1 month
2. The interest charged on $7,200.00 = X
3. $2,400.00 = p.v. of($98.62 - $\frac{X}{29}$) for 29 mos. at i%
4. We may solve by algebra or by inspection
5. Using inspection

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- Assume a rate of 1% per month

Interest on $7,200.00 is $72.00 for one month at 1%

Reduce aggregate and charges by $72.00

Revise problem:

Principal	$2,400.00
Charges	388.00
Aggregate	$2,788.00

Factor is $\frac{\$2,400.00 \times 29}{\$2,788.} = 24.96413199$

The nearest table rate here is 1.03% per month or 12.36% p.a.

In actual fact the rate used was probably 12% p.a. with the charges rounded off to the nearest $10.00.

(Note the foregoing is a simplified version of rather more complex exact procedures used)

Example

A truck sold to a farmer

Principal to be paid	$1,200.00
Finance charges	138.00
Aggregate	$1,338.00

Payments on 13th of each month

September, October, November 1962	$ 200.00 each
April, May 1963	$ 100.00 each
September, October 1963	$ 150.00 each
November 1963	$ 238.00 balance

All other months skipped.

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Procedure

This is a problem in present values. The original principal of $1,200.00 is the sum of the present values of future payments calculated at an unknown rate of interest. The rate is found either by calculation using actuarial formulae or by use of existing actuarial tables and interpolation. The rate is approximately 17.16% per annum.

A common criticism of rate disclosure is that the salesman or clerk would find it extremely difficult to cope with the problem of disclosure and additional charges on interrupted contracts. The foregoing illustrations are of this type and show that a rate is determinable. The office of the lender should and does pre-determine the rate of charge and furnishes the salesman or clerk with tables use of which plus elementary arithmetic provides the extra dollar charges on skipped payments.

The problem of the salesman or the clerk is very much over-emphasized. In practise additional charges on defaulted payments are ignored in most cases. The lender relies on his title rights and collection procedures and accepts the very slight loss of interest rather than make marginal calculations. In cases where deferred payments are written into the contract the additional charges are pre-calculated by table so that the salesman or clerk is not normally required to make individual calculations on the spot.

9. Cycle credit accounts

Budget accounts

The budget account is one wherein a purchaser undertakes (at the

beginning) to pay off a specific balance over a stated number of months including finance charges.

The rate may be determined in the same manner as applies to a conditional sales contract. However the buyer retains the initiative (with the concurrence of the lender) to alter the contract by:

(a) buying additional items

(b) paying more or less than agreed

Whenever the borrower thus alters the terms of the contract a new formula develops.

Insofar as this initiative is exercised frequently (perhaps monthly) it might be considered an onerous task to impose upon the lender a re-calculation of the rate each time the terms of contract change.

Some modification of rate disclosure may have to be considered. One suggestion is a % charge based on current month's balance, mid-month balance or average balance.

Revolving credit accounts

These are arrangements whereby the buyer is permitted to carry balances up to a stated maximum and is required to make a stated monthly payment.

The buyer retains the initiative to:

- charge any amount any time
- pay any amount any time

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The lender makes a monthly charge based upon the previous monthly balance. A period of grace is allowed in respect to payments received within 3 or 4 days after the previous billing date. Otherwise no recognition is given in respect to the varying amounts of credit actually extended from one billing date to the next. Action by the lender to correct or compensate for variations from the original terms are post facto.

It has been observed that finance charges expressed as a rate % can be very high.

Example

Previous balance April 15	$431.75
Charge at next billing date May 15	$ 4.95
Payment made April 20	$331.75

Monthly payment required was $22.00

In this case the charge of $4.95 would still be made even though the payment of $331.75 reduced the debit balance to only $100.00 for 25 days of the billing month (April 20-May 15). The rate % charged on the $100.00 for 25 days is exceedingly high.

The opposite may also hold true

Example

Balance on March 15	Nil
Purchase on March 16	$431.75
Charge April 15 (based on nil balance March 15)	Nil
Payment April 14	$431.75
Charge on May 15 (based on nil balance on April 15)	Nil

In this case $431.75 credit has been extended to the buyer for 29 days at no charge at all.

In such circumstances it is obviously unreasonable to expect the lender to determine the effective rate % from day to day.

There is no easy practicable method of resolving this problem by tables or mathematcial formulae.

Alternative solutions may be suggested for compliance (at least partially) with disclosure requirements in terms of a rate %.

These are:

1. Require statement of a monthly rate % (and/or an annual rate %) along with or in substitution for dollar monthly charges now given.
2. Require one monthly or annual rate in place of a scale of charges and rates.
3. Extend period of grace (for recognition of payments between billing dates) to 15 days after previous billing date. (This would substantially reduce variations of actual rate from the stated rate).

SELECT COMMITTEE ON CONSUMER CREDIT

GENERAL OBSERVATIONS

Public reaction

It has been submitted to the Committee by some lenders that:

(a) the public wishes finance charges to be expressed in dollars

(b) the public would not comprehend disclosure in terms of a rate %.

These opinions appear to be subject to more conclusive verification perhaps by sampling of consumer reaction on a substantial scale.

Certain observations may also be made. In regard to:

(a) disclosure of a rate % need not be a substitute for cost stated in dollars but in addition thereto. If the public does, in fact, prefer the cost in dollars it is in no way hampered by also being given the rate %.

(b) the cost of borrowing is still being taught in schools in terms of a rate %. Many types of loan are still being quoted at a rate % e.g. conventional mortgage loans, commercial bank loans. The average householder is likely to have been exposed to quotation of a rate % in some instances. He also may be expected to have borrowed on a conditional sales contract in regard to which only dollar costs have been stated. If the borrower has understood the meaning of rates % as quoted by lenders of mortgages he might also be expected to comprehend the meaning of rates % quoted by lenders on conditional sales contracts. It would seem that common terms of expression in regard to both types of lending contracts would tend to reduce rather than to increase confusion. If expressed in the same terms comparability of various sources of funds becomes possible.

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Administrative aspects

Imposition of requirements for disclosure of money costs as a rate % might impose new administrative problems upon business and the impact of such a burden should, no doubt, be minimized.

It has been found that the determination of finance charges is now performed by clerks furnished with readily-interpreted tables. It is submitted that the determination of rates % may also be revealed by use of tables and this being so administrative problems would not be significantly enlarged.

It has also been found that, in almost all cases, existing tables are based on a rate known to the lender. It would appear that disclosure of this rate would not present a major difficulty.

Transfer of money costs

Disclosure of money costs as a rate % may result in a transfer of some part of these costs to the price of the article. Lenders on conditional sales contracts might consider it be competitively beneficial to reduce finance rates and recover any loss resulting by an increase in prices.

This type of adjustment would only be available to retailers who are also lenders and would not be available to lenders of money only. If disclosure of rates were generally deemed to be advisable this method of apparent escape in a limited sector should not invalidate the desirability of such disclosure in respect to all other lending forms.

In the retail field one may assume that a double competition of finance rates and prices would ensue but such competition would enventually result in equilibrium. The buyer would be required to make comparisons both

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as to rate and price as between vendors but at least such comparisons would be valid. This would be more comprehensible than at present when apparent low prices may be offset by finance charges which are not readily measurable for competitive buying.

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SUMMARY

1. It is mathematically possible to determine a rate % on all loan situations by use of:
   - actuarial methods
   - arithmetic methods
2. Practically, it would be an intolerable administrative burden to use the above methods from first principles to determine rates on individual contracts but rates may be readily determined for an individual contract by development of tables of universal application to all contracts of a specific lending classification (with the exception of cycle credit accounts which are subject to special circumstances).
3. Disclosure requirements should be of universal application and the basic methods of calculating rates should be determined for each classification of loan contract.
4. Use of tables would not appear to add a significant administrative burden insofar as tables are presently used, extensively, to determine finance charges.

   However, practical considerations suggest that the tables should permit a measure of tolerance when applied to a particular contract. A degree of accuracy of 1/8 of 1% p.a. has been suggested but this could be further refined.
5. A common language of expression and common criteria of measurement should be sought so that rates will be comparable. Pursuant thereto

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SUMMARY

it would appear necessary that all elements of the cost of borrowing in all contracts must be included in the calculations.

In the case of blended payment contracts all payments should be nearly equal (say within a variation of 10% from the average).

6. Cycle credit accounts may have to be considered separately. If the buyer (borrower) retains the initiative the lender may have to be permitted some tolerance in regard to disclosure of the effective rate applicable from day to day. Compliance with rate disclosure might be confined to declaration and imposition of a monthly and/or annual rate % on the current balance or average balance.

7. Disclosure of a rate % may be in addition to, not in substitution for, disclosure in dollars thereby providing for common language and measurement without disturbing possible borrower preferences.

Toronto,
Sept.14,
1 9 6 4.

Douglas D. Irwin

Financial Consultant
to the Committee.

APPENDIX I

NIAGARA FINANCE COMPANY LIMITED
SMALL LOAN EVEN DOLLAR REPAYMENT CHART
DO NOT USE OTHER THAN AMOUNTS AND TERMS SHOWN ON THIS CHART FOR SMALL LOANS

Present information			Additional information			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Monthly Payment	12 Months Cash Adv.	Ins. Prem.	Interest Rate % Per month (excluding insurance)	Per Annum (excluding insurance)	Interest Rate % Per Month (including insurance)	Per Annum (including insurance)
6	63.45	.29	2.00	24.0000	2.08	24.96
8	84.60	.38	2.00	24.0000	2.08	24.96
10	105.75	.48	2.00	24.0000	2.08	24.96
12	126.90	.57	2.00	24.0000	2.08	24.96
14	148.05	.67	2.00	24.0000	2.08	24.96
16	169.21	.76	2.00	24.0000	2.08	24.96
18	190.36	.86	2.00	24.0000	2.08	24.96
20	211.51	.95	2.00	24.0000	2.08	24.96
22	232.66	1.05	2.00	24.0000	2.08	24.96
24	253.81	1.14	2.00	24.0000	2.08	24.96
26	274.96	1.24	2.00	24.0000	2.08	24.96
28	296.11	1.33	2.00	24.0000	2.08	24.96
300.00 30	317.43	1.43	1.99	23.88	2.06	24.72
32	338.92	1.53	1.98	23.76	2.05	24.60
34	360.52	1.62	1.96	23.52	2.03	24.36
36	382.25	1.72	1.94	23.28	2.00	24.00
38	404.08	1.82	1.91	22.92	1.99	23.88
40	425.96	1.92	1.89	22.68	1.96	23.52
42	447.91	2.02	1.86	22.32	1.94	23.28
44	469.94	2.11	1.84	22.08	1.91	22.92
46	491.96	2.21	1.82	21.84	1.89	22.68
48	514.08	2.31	1.79	21.48	1.87	22.44
50	536.23	2.41	1.77	21.24	1.85	22.16
55	591.66	2.66	1.72	20.64	1.83	21.96
60	647.29	2.91	1.68	20.16	1.75	21.00
65	702.97	3.16	1.64	19.68	1.71	20.52
70	758.81	3.41	1.60	19.20	1.71	20.52
75	814.65	3.67	1.57	18.84	1.64	19.68
76	825.82	3.72	1.56	18.72	1.63	19.56
80	870.53	3.92	1.54	18.48	1.61	19.32
85	926.55	4.17	1.51	18.12	1.58	18.96
90	982.56	4.42	1.49	17.88	1.56	18.72
1000.00 92	1004.99	4.52	1.48	17.76	1.56	18.72
93	1016.25	4.57	1.47	17.64	1.55	18.60
94	1027.51	4.62	1.47	17.64	1.54	18.48
95	1038.77	4.67	1.46	17.52	1.53	18.36
96	1050.02	4.73	1.46	17.52	1.53	18.36
97	1061.28	4.78	1.45	17.40	1.52	18.24
98	1072.54	4.83	1.45	17.40	1.52	18.24
99	1083.80	4.88	1.44	17.28	1.51	18.12
100	1095.10	4.93	1.44	17.28	1.51	18.12
101	1106.41	4.98	1.43	17.16	1.50	18.00
102	1117.72	5.03	1.43	17.16	1.50	18.00
103	1129.03	5.08	1.42	17.04	1.49	17.88
104	1140.34	5.13	1.42	17.04	1.49	17.88
105	1151.68	5.18	1.41	16.92	1.48	17.76
106	1163.01	5.23	1.41	16.92	1.48	17.76
107	1174.35	5.29	1.40	16.80	1.47	17.64
108	1185.68	5.34	1.40	16.80	1.47	17.64
109	1197.05	5.39	1.39	16.68	1.46	17.52
110	1208.43	5.44	1.39	16.68	1.46	17.52
111	1219.82	5.49	1.38	16.56	1.45	17.40

Pages 9 and 10 from Actuarial Tables giving rates per cent for ranges of rates—half of 1 per cent to two and a half per cent per period. Periods 1 to 120

LAST PAYMENT AT END OF PERIOD	PRESENT VALUE OF AN ANNUITY OF $1 PER PERIOD PAYABLE IN ARREARS									
	RATES PER CENT				INTEREST RATES PER CENT				RATES PER CENT PER ANNUM	
	0.00820000	0.00830000	0.00840000	0.00850000	0.00860000	0.00870000	0.00880000	0.00890000	0.00900000	0.00990000
	0.00996000	0.00996000	0.00996000	0.00996000	0.00996000	0.00996000	0.00996000	0.00996000	0.00996000	0.01000000
1	0.99180669	0.99166997	0.99157164	0.99143733	0.99134704	0.99125704	0.99117851	0.99108869	0.99099911	0.99011335
2	1.97556663	1.97537273	1.97478946	1.97460269	1.97441896	1.97423826	1.97390339	1.97372107	1.97354179	1.97189165
3	2.96132775	2.96107731	2.96039805	2.96017379	2.95995214	2.95973311	2.95932320	2.95910220	2.95888419	2.95667167
4	3.94913537	3.94878273	3.94784644	3.94753779	3.94723232	3.94693004	3.94637167	3.94606344	3.94575847	3.94293109
5	4.93781737	4.93738417	4.93643284	4.93611966	4.93581144	4.93550816	4.93494644	4.93463564	4.93432783	4.93044783
6	5.92749709	5.92696463	5.92597791	5.92564992	5.92532882	5.92501461	5.92443922	5.92412603	5.92381644	5.91902220
7	6.91717693	6.91654844	6.91548298	6.91513232	6.91479049	6.91445748	6.91385446	6.91351877	6.91318693	6.90766344
8	7.90685677	7.90613440	7.90495804	7.90457690	7.90420772	7.90385049	7.90320218	7.90285384	7.90251005	7.89636492
9	8.89653644	8.89572249	8.89440304	8.89398364	8.89357911	8.89318944	8.89249238	8.89212124	8.89176589	8.88513616
10	9.88621600	9.88531019	9.88384313	9.88337930	9.88293085	9.88249778	9.88172013	9.88131124	9.88092443	9.87398313
11	10.87589701	10.87490149	10.87328322	10.87277396	10.87228259	10.87180910	10.87095788	10.87051124	10.87008566	10.86291199
12	11.86558692	11.86449281	11.86272331	11.86216762	11.86163433	11.86112343	11.86019563	11.85971124	11.85925000	11.85192199
13	12.85528684	12.85409413	12.85216344	12.85156028	12.85098607	12.85043080	12.84944338	12.84891124	12.84841744	12.84102199
14	13.84499677	13.84369544	13.84160356	13.84095194	13.84033780	13.83974113	13.83869113	13.83811124	13.83758744	13.83021199
15	14.83471677	14.83329675	14.83104367	14.83034259	14.82968052	14.82904744	14.82794888	14.82731124	14.82676744	14.81940199
16	15.82444677	15.82290806	15.82048378	15.81973324	15.81902423	15.81836374	15.81721663	15.81651124	15.81594744	15.80859199
17	16.81418677	16.81252937	16.80992389	16.80912389	16.80837093	16.80768004	16.80649438	16.80571124	16.80512744	16.79778199
18	17.80393677	17.80216068	17.79936400	17.79851454	17.79771763	17.79699634	17.79578213	17.79491124	17.79430744	17.78697199
19	18.79369677	18.79180199	18.78881411	18.78790519	18.78707433	18.78632264	18.78507988	18.78411124	18.78348744	18.77616199
20	19.78346677	19.78145330	19.77827422	19.77730584	19.77644103	19.77565894	19.77438763	19.77331124	19.77266744	19.76535199
21	20.77324677	20.77111461	20.76774433	20.76671649	20.76582773	20.76501524	20.76370538	20.76251124	20.76184744	20.75454199
22	21.76303677	21.76078592	21.75722444	21.75614714	21.75523443	21.75439154	21.75303313	21.75171124	21.75102744	21.74373199
23	22.75283677	22.75046723	22.74671455	22.74559779	22.74465113	22.74378784	22.74237088	22.74091124	22.74020744	22.73292199
24	23.74264677	23.74015854	23.73621466	23.73506844	23.73408783	23.73320414	23.73172863	23.73011124	23.72938744	23.72211199
25	24.73246677	24.72985985	24.72572477	24.72455909	24.72354453	24.72263044	24.72110638	24.71931124	24.71856744	24.71130199
26	25.72229677	25.71957116	25.71524488	25.71406034	25.71301123	25.71206674	25.71050413	25.70851124	25.70774744	25.70049199
27	26.71213677	26.70929247	26.70477499	26.70357219	26.70249793	26.70152304	26.69991188	26.69771124	26.69692744	26.68969199
28	27.70198677	27.69902378	27.69431510	27.69309464	27.69200463	27.69099934	27.68933963	27.68691124	27.68610744	27.67890199
29	28.69184677	28.68876509	28.68386521	28.68263770	28.68152133	28.68049564	28.67878738	28.67611124	28.67528744	28.66812199
30	29.68171677	29.67851637	29.67342532	29.67219137	29.67104803	29.66999194	29.66825513	29.66531124	29.66446744	29.65735199
31	30.67159677	30.66827762	30.66299544	30.66175566	30.66058523	30.65949824	30.65773288	30.65451124	30.65364744	30.64659199
32	31.66148677	31.65804883	31.65257555	31.65133054	31.65013193	31.64901454	31.64722063	31.64371124	31.64282744	31.63584199
33	32.65138677	32.64783000	32.64216565	32.64091601	32.63969013	32.63854084	32.63671838	32.63291124	32.63200744	32.62510199
34	33.64129677	33.63762113	33.63176574	33.63051207	33.62926013	33.62807714	33.62622613	33.62211124	33.62118744	33.61437199
35	34.63121677	34.62742222	34.62137582	34.62011872	34.61884193	34.61762344	34.61574388	34.61131124	34.61036744	34.60365199
36	35.62114677	35.61723330	35.61099589	35.60974597	35.60843553	35.60717974	35.60527163	35.60051124	35.59954744	35.59294199
37	36.61108677	36.60705437	36.60062595	36.59939382	36.59804093	36.59674604	36.59480938	36.58971124	36.58872744	36.58224199
38	37.60103677	37.59688543	37.59026600	37.58905227	37.58765813	37.58632234	37.58435713	37.57891124	37.57790744	37.57155199
39	38.59099677	38.58672649	38.57991604	38.57872132	38.57729713	38.57590864	38.57391488	38.56811124	38.56708744	38.56087199
40	39.58096677	39.57657755	39.56957607	39.56840097	39.56695793	39.56551494	39.56348263	39.55731124	39.55626744	39.55020199
41	40.57094677	40.56644861	40.55924607	40.55809123	40.55663053	40.55514124	40.55306038	40.54651124	40.54544744	40.53954199
42	41.56093677	41.55633967	41.54892607	41.54779210	41.54631493	41.54478754	41.54264813	41.53571124	41.53462744	41.52889199
43	42.55093677	42.54624067	42.53861607	42.53750356	42.53601113	42.53445384	42.53225588	42.52491124	42.52380744	42.51824199
44	43.54094677	43.53615167	43.52831607	43.52722561	43.52571913	43.52413014	43.52188363	43.51411124	43.51298744	43.50759199
45	44.53096677	44.52607267	44.51802607	44.51695826	44.51544893	44.51382644	44.51153138	44.50331124	44.50216744	44.49694199
46	45.52099677	45.51600367	45.50774607	46.50670151	46.50519053	46.50353274	46.50119913	46.49251124	46.49134744	46.48629199
47	46.51103677	46.50594467	46.49747607	47.49645536	47.49494393	47.49324904	47.49088688	47.48171124	47.48052744	47.47564199
48	47.50108677	47.49589567	47.48721607	48.48622001	48.48471913	48.48298534	48.48059463	48.47091124	48.46971744	48.46499199
49	48.49114677	48.48585667	48.47696607	49.47599546	49.47451613	49.47274164	49.47032238	49.46011124	49.45890744	49.45434199
50	49.48122677	49.47583767	49.46672607	50.46579171	50.46433493	50.46251794	50.46007013	50.44931124	50.44809744	50.44369199
51	50.47132677	50.46583867	50.45649607	51.45560876	51.45417553	51.45231424	51.44983788	51.43851124	51.43728744	51.43304199
52	51.46144677	51.45585967	51.44628607	52.44544661	52.44403793	52.44212054	52.43962563	52.42771124	52.42647744	52.42239199
53	52.45158677	52.44590067	52.43609607	53.43530526	53.43392233	53.43194684	53.42943363	53.41691124	53.41566744	53.41174199
54	53.44174677	53.43596167	53.42592607	54.42518471	54.42382873	54.42179314	54.41926188	54.40611124	54.40485744	54.40109199
55	54.43192677	54.42604267	54.41577607	55.41508496	55.41375713	55.41165944	55.40910038	55.39531124	55.39404744	55.39044199
56	55.42212677	55.41614367	55.40564607	56.40500601	56.40370753	56.40154574	56.39895913	56.38451124	56.38323744	56.37979199
57	56.41234677	56.40626467	56.39553607	57.39494786	57.39367993	57.39145204	57.38883813	57.37371124	57.37242744	57.36914199
58	57.40258677	57.39640567	57.38544607	58.38490051	58.38366433	58.38137834	58.37873738	58.36291124	58.36161744	58.35849199
59	58.39284677	58.38656667	58.37537607	59.37486396	59.37366073	59.37132464	59.36865688	59.35211124	59.35080744	59.34784199
60	59.38312677	59.37674767	59.36532607	60.36484822	60.36367013	60.36129094	60.35859663	60.34131124	60.33999744	60.33719199
61	60.37342677	60.36694867	60.35529607	61.35485329	61.35369253	61.35127724	61.34855663	61.33051124	61.32918744	61.32654199
62	61.36374677	61.35716967	61.34528607	62.34487917	62.34373793	62.34128354	62.33853688	62.31971124	62.31837744	62.31589199
63	62.35408677	62.34741067	62.33529607	63.33492588	63.33380633	63.33130984	63.32853738	63.30891124	63.30756744	63.30524199
64	63.34444677	63.33767167	63.32532607	64.32499344	64.32389773	64.32135614	64.31855813	64.29811124	64.29675744	64.29459199
65	64.33482677	64.32795267	64.31537607	65.31508187	65.31401213	65.31142244	65.30860913	65.28731124	65.28594744	65.28394199
66	65.32522677	65.31825367	65.30544607	66.30519118	66.30415953	66.30150874	66.29868038	66.27651124	66.27513744	66.27329199
67	66.31564677	66.30857467	66.29553607	67.29532139	67.29433893	67.29161504	67.28877188	67.26571124	67.26432744	67.26264199
68	67.30608677	67.29891567	67.28564607	68.28547251	68.28454033	68.28174134	68.27888363	68.25491124	68.25351744	68.25199199
69	68.29654677	68.28927667	68.27577607	69.27564455	69.27476373	69.27189764	69.26901563	69.24411124	69.24270744	69.24134199
70	69.28702677	69.27965767	69.26592607	70.26583752	70.26501913	70.26208394	70.25917788	70.23331124	70.23189744	70.23069199
71	70.27752677	70.27005867	70.25609607	71.25605143	71.25530653	71.25230024	71.24937038	71.22251124	71.22108744	71.22004199
72	71.26804677	71.26047967	71.24628607	72.24628628	72.24562593	72.24254654	72.23959313	72.21171124	72.21027744	72.20939199
73	72.25858677	72.25092067	72.23649607	73.23654208	73.23597733	73.23282284	73.22984613	73.20091124	73.19946744	73.19874199
74	73.24914677	73.24138167	73.22672607	74.22681883	74.22636073	74.22312914	74.22012938	74.19011124	74.18865744	74.18809199
75	74.23972677	74.23186267	74.21697607	75.21711653	75.21677613	75.21346544	75.21044288	75.17931124	75.17784744	75.17744199
76	75.23032677	75.22236367	75.20724607	76.20743519	76.20721353	76.20383174	76.20078663	76.16851124	76.16703744	76.16679199
77	76.22094677	76.21288467	76.19753607	77.19777481	77.19767293	77.19422804	77.19116063	77.15771124	77.15622744	77.15614199
78	77.21158677	77.20342567	77.18784607	78.18813540	78.18815433	78.18465434	78.18156488	78.14691124	78.14541744	78.14549199
79	78.20224677	78.19398667	78.17817607	79.17851698	79.17865773	79.17510064	79.17199938	79.13611124	79.13460744	79.13484199
80	79.19292677	79.18456767	79.16852607	80.16891956	80.16918313	80.16556694	80.16246413	80.12531124	80.12379744	80.12419199
81	80.18362677	80.17516867	80.15889607	81.15934315	81.15972053	81.15605324	81.15295913	81.11451124	81.11298744	81.11354199
82	81.17434677	81.16578967	81.14928607	82.14978775	82.15027993	82.14656954	82.14348438	82.10371124	82.10217744	82.10289199
83	82.16508677	82.15643067	82.13969607	83.14025337	83.14086133	83.13711584	83.13403988	83.09291124	83.09136744	83.09224199
84	83.15584677	83.14709167	83.13012607	84.13073000	84.13146473	84.12769214	84.12462563	84.08211124	84.08055744	84.08159199
85	84.14662677	84.13777267	84.12057607	85.12122766	85.12208993	85.11829844	85.11524163	85.07131124	85.06974744	85.07094199
86	85.13742677	85.12847367	85.11104607	86.11174635	86.11273693	86.10893474	86.10588788	86.06051124	86.05893744	86.06029199
87	86.12824677	86.11919467	86.10153607	87.10228607	87.10340573	87.09959104	87.09656438	87.04971124	87.04812744	87.04964199
88	87.11908677	87.10993567	87.09204607	88.09284682	88.09409634	88.09026734	88.08726113	88.03891124	88.03731744	88.03899199
89	88.10994677	88.10069667	88.08257607	89.08342861	89.08480877	89.08096364	89.07797813	89.02811124	89.02650744	89.02834199
90	89.10082677	89.09147767	89.07312607	90.07403144	90.07554302	90.07168994	90.06872538	90.01731124	90.01569744	90.01769199
91	90.09172677	90.08227867	90.06369607	91.06465531	91.06630911	91.06244624	91.05950288	91.00651124	91.00488744	91.00704199
92	91.08264677	91.07309967	91.05428607	92.05530023	92.05710703	92.05323254	92.05031063	91.99571124	91.99407744	91.99639199
93	92.07358677	92.06394067	92.04489607	93.04596621	93.04793677	93.04404884	93.04115863	92.98491124	92.98326744	92.98574199
94	93.06454677	93.05480167	93.03552607	94.03665327	94.03879837	94.03489514	94.03204688	93.97411124	93.97245744	93.97509199
95	94.05552677	94.04568267	94.02617607	95.02736151	95.02969187	95.02577144	95.02297538	94.96331124	94.96164744	94.96444199
96	95.04652677	95.03658367	95.01684607	96.01809093	96.02061729	96.01668774	96.01394413	95.95251124	95.95083744	95.95379199
97	96.03754677	96.02750467	96.00753607	97.00884154	97.01157464	97.00764404	97.00495313	96.94171124	96.94003744	96.94314199
98	97.02858677	97.01844567	97.00824607	98.00961335	98.01256393	98.00864034	98.00600238	97.93091124	97.92923744	97.93249199
99	98.01964677	98.00940667	98.00000607	99.00040638	99.01358515	99.00968664	99.00709188	98.00011124	97.99843744	98.00184199
100	99.01072677	99.00038767	98.99178607	99.99122064	100.00463830	100.00077294	99.99822163	98.97931124	98.97763744	98.98119199
101	100.00182677	99.99138867	99.98358607	100.98205615	101.00572339	101.00189924	100.00939163	99.96851124	99.96683744	99.97054199
102	100.99294677	100.98240967	100.97540607	101.97291294	102.01684042	102.00306554	102.00060163	100.95771124	100.95603744	100.95989199
103	101.98408677	101.97345067	101.96724607	102.96379111	103.00799939	103.00427184	103.00185163	101.94691124	101.94523744	101.94924199
104	102.97524677	102.96451167	102.95910607	103.95469111	104.00919031	104.00551814	104.00314163	102.93611124	102.93443744	102.93859199
105	103.96642677	103.95559267	103.95098607	104.94561294	105.01041319	105.00680444	105.00447163	103.92531124	103.92363744	103.92794199
106	104.95762677	104.94669367	104.94288607	105.93655661	106.01167806	106.00813074	106.00584163	104.91451124	104.91283744	104.91729199
107	105.94884677	105.93781467	105.93480607	106.92752218	107.01298593	107.00950704	107.00725163	105.90371124	105.90203744	105.90664199
108	106.94008677	106.92895567	106.92674607	107.91850966	108.01433781	108.01093334	108.00870163	106.89291124	106.89123744	106.89599199
109	107.93134677	107.92011667	107.91870607	108.90951907	109.01573469	109.01240964	109.01019163	107.88211124	107.88043744	107.88534199
110	108.92262677	108.91129767	108.91068607	109.90054044	110.01717760	110.01393694	110.01172163	108.87131124	108.86963744	108.87469199
111	109.91392677	109.90249867	109.90268607	110.89158378	111.01866757	111.01551564	111.01330163	109.86051124	109.85883744	109.86404199
112	110.90524677	110.89371967	110.89470607	111.88264913	112.02020564	112.01714564	112.01493163	110.84971124	110.84803744	110.85339199
113	111.89658677	111.88496067	111.88674607	112.87373650	113.02179286	113.01882764	113.01661163	111.83891124	111.83723744	111.84274199
114	112.88794677	112.87622167	112.87880607	113.86484594	114.02343035	114.02055164	114.01834163	112.82811124	112.82643744	112.83209199
115	113.87932677	113.86750267	113.87088607	114.85597747	115.02511925	115.02232864	115.02011163	113.81731124	113.81563744	113.82144199
116	114.87072677	114.85880367	114.86298607	115.84713120	116.02686070	116.02415964	116.02194163	114.80651124	114.80483744	114.81079199
117	115.86214677	115.85012467	115.85510607	116.83830717	117.02865587	117.02604464	117.02383163	115.79571124	115.79403744	115.80014199
118	116.85358677	116.84146567	116.84724607	117.82950562	118.03050599	118.02798464	118.02577163	116.78491124	116.78323744	116.78949199
119	117.84504677	117.83282667	117.83940607	118.82072680	119.03241232	119.02997964	119.02776163	117.77411124	117.77243744	117.77884199
120	118.83652677	118.82420767	118.83158607	119.81197080	120.03437617	120.03202964	120.02981163	118.76331124	118.76163744	118.76819199

PRESENT VALUE OF AN ANNUITY OF $1 PER PERIOD

PAYABLE IN ARREARS

LAST PAYMENT AT END OF PERIOD	RATES OF INTEREST 0.00820000 / 0.09840000	0.00830000 / 0.09960000	0.00840000 / 0.10080000	0.00850000 / 0.10200000	0.00860000 / 0.10320000	0.00870000 / 0.10440000	0.00880000 / 0.10560000	0.00890000 / 0.10680000	RATES PER MONTH / PER ANNUM
51	47.84786495	47.71297760	47.57862703	47.44481099	47.31152657	47.17877167	47.04654372	46.91484031	
52	48.45057027	48.31198810	48.17396576	48.03650064	47.89959010	47.76323155	47.62742241	47.49216009	
53	49.04837361	48.90606774	48.76434526	48.62320341	48.48263940	48.34265049	48.20323395	48.06438704	
54	49.64131483	49.49525710	49.34980683	49.20496124	49.06071723	48.91707197	48.77402255	48.63156610	
55	50.22943347	50.07959645	49.93039160	49.78181580	49.63386598	49.48653908	49.33983203	49.19374180	
56	50.81276877	50.65912571	50.50614002	50.35388843	50.20212769	50.05109455	49.90070582	49.75095827	
57	51.39135962	51.23388447	51.07709244	50.92098010	50.76554401	50.61078076	50.45668697	50.30325926	
58	51.96524461	51.80391200	51.64328882	51.48337144	51.32415626	51.16563970	51.00781817	50.85068814	
59	52.53446202	52.36924725	52.20476876	52.04102275	51.87800542	51.71571299	51.55414172	51.39328788	
70	53.09904982	52.92992884	52.76157156	52.59397397	52.42713208	52.26104193	52.09569957	51.93110108	
71	53.65904564	53.48599508	53.31373618	53.14226472	52.97157652	52.80166742	52.63253327	52.46416997	
72	54.21448685	54.03748396	53.86130125	53.68593428	53.51137867	53.33763004	53.16668405	52.99253639	
73	54.76541048	54.58443317	54.40430508	54.22502160	54.04657810	53.86897000	53.69219276	53.51624184	
74	55.31185329	55.12688006	54.94278568	54.75956529	54.57721405	54.39572717	54.21509988	54.03533762	
75	55.85385170	55.66486171	55.47678072	55.28960366	55.10332546	54.91794109	54.73344556	54.54983390	
76	56.39144188	56.19841487	56.00632757	55.81517467	55.62495088	55.43565092	55.24726959	55.05980167	
77	56.92465967	56.72757599	56.53146328	56.33631599	56.14212857	55.94889553	55.75661141	55.56527076	
78	57.45354064	57.25238122	57.05222459	56.85306494	56.65489646	56.45771343	56.26151012	56.06628086	
79	57.97812005	57.77286643	57.56864795	57.36545854	57.16329215	56.96214278	56.76200448	56.56287130	
80	58.49843290	58.28906717	58.08076949	57.87353350	57.66735292	57.46222146	57.25813291	57.05508108	
81	59.01451389	58.80101872	58.58862504	58.37732623	58.16711572	57.95798697	57.74993349	57.54294884	
82	59.52639743	59.30875604	59.09225014	58.87687281	58.66261721	58.44947652	58.23744399	58.02651287	
83	60.03411766	59.81231384	59.59168002	59.37220904	59.15389373	58.93672700	58.72070181	58.50581115	
84	60.53770846	60.31172651	60.08694965	59.86337039	59.64098129	59.41977496	59.19974406	58.98088131	
85	61.03720339	60.80702817	60.57809366	60.35039205	60.12391561	59.89865664	59.67460752	59.45176064	
86	61.53263577	61.29825268	61.06514643	60.83330893	60.60273212	60.37340800	60.14532862	59.91848611	
87	62.02403866	61.78543358	61.54814204	61.31215561	61.07746591	60.84406463	60.61194352	60.38109437	
88	62.51144481	62.26860416	62.02711428	61.78696639	61.54815180	61.31066187	61.07448803	60.83962174	
89	62.99488674	62.74779744	62.50209667	62.25777530	62.01482431	61.77323473	61.53299765	61.29410421	
90	63.47439669	63.22304616	62.97312244	62.72461607	62.47751766	62.23181792	61.98750758	61.74457747	
91	63.95000663	63.69438278	63.44022455	63.18752213	62.93626578	62.68644584	62.43805272	62.19107689	
92	64.42174830	64.16183952	63.90343569	63.64652668	63.39110230	63.13715261	62.88466764	62.63363752	
93	64.88965314	64.62542827	64.36281820	64.10159275	63.84202705	63.58373605	63.32738644	63.07230410	
94	65.35375237	65.08524080	64.81841443	64.55296234	64.28917368	64.02693770	63.76624369	63.50708108	
95	65.81407694	65.54124843	65.27006604	65.00045844	64.73247440	64.46608278	64.20127250	63.93803259	
96	66.27065755	65.99350236	65.71801472	65.44418289	65.17199524	64.90144025	64.63250644	64.36518246	
97	66.72352455	66.44205379	66.16230150	65.88416746	65.60776884	65.33306277	65.05997863	64.78854424	
98	67.17270844	66.88687245	66.60278838	66.32044369	66.03982593	65.76092275	65.48372188	65.20821116	
99	67.61823888	67.32804963	67.03965528	66.75304283	66.46819942	66.18511227	65.90376871	65.62415617	
130	68.06014568	67.76559519	67.47288306	67.18199586	66.89292030	66.60564317	66.32015138	66.03643193	
101	68.49845832	68.19953902	67.90250204	67.60733353	67.31401973	67.02254701	66.73290184	66.44507080	
102	68.93320603	68.62991076	68.32854229	68.02908630	67.73152859	67.43585507	67.14205179	66.85010486	
103	69.36441781	69.05673982	68.75103360	68.44728438	68.14547748	67.84559837	67.54763262	67.25156593	
104	69.79212241	69.48005536	69.17000556	68.86195774	68.55589677	68.25180764	67.94967548	67.64948551	
135	70.21634835	69.89988630	69.58548746	69.27313608	68.96281655	68.65451338	68.34821122	68.04389484	
136	70.63712393	70.31626133	69.99750839	69.68084887	69.36626665	69.05374579	68.74327044	68.43482490	
107	71.05447722	70.72920890	70.40609718	70.08512530	69.76627667	69.44953483	69.13488346	68.82230637	
108	71.46843604	71.13875722	70.81128240	70.48599435	70.16287594	69.84191022	69.52308036	69.20636968	
109	71.87902801	71.54493426	71.21309243	70.88348473	70.55609354	70.23090137	69.90784091	69.58704498	
110	72.28628051	71.94776779	71.61155536	71.27762492	70.94599829	70.61653750	70.28934468	69.96436216	
111	72.69022070	72.34728532	72.00669909	71.66844315	71.33249881	70.99884752	70.66747094	70.33835084	
112	73.09087552	72.74351415	72.39855126	72.05596743	71.71574341	71.37786014	71.04229871	70.70904038	
113	73.48827170	73.13648136	72.78713926	72.44021551	72.09572022	71.75360379	71.41385677	71.07645989	
114	73.88243572	73.52621378	73.17249037	72.82124493	72.47245709	72.12610666	71.78217364	71.44063821	
115	74.27339389	73.91273806	73.55463147	73.19905298	72.84598164	72.49539671	72.14727760	71.80160393	
116	74.66117228	74.29608059	73.93358932	73.57367673	73.21632128	72.86150164	72.50919667	72.15938540	
117	75.04579675	74.67626757	74.30939044	73.94514301	73.58350315	73.22444894	72.86795863	72.51401071	
118	75.42729295	75.05332497	74.68206112	74.31347844	73.94755419	73.58426583	73.22359103	72.86550769	
119	75.80568632	75.42727856	75.05162745	74.67870941	74.30850108	73.94097931	73.57612116	73.21390394	
120	76.18100210	75.79815388	75.41811528	75.04086209	74.66637029	74.29461615	73.92557609	73.55922682	

THE EASY CREDIT FINANCE COMPANY

TABLE OF PAYMENTS
(RETAIL INSTALMENT SALES CONTRACT)

Example Tables

18% table compared to add-on table

There are here presented two tables. An add-on table presently in use and an 18% table proposed to replace the add-on table. (See Appendices 6 and 5)

A. The add-on table is the one now generally in use. It may be criticized in regard to:

1. The same finance charge and monthly payment is applied to ranges of loan at $10. intervals up to $500. and at $20. intervals over $500. The result of these broad applications is that the true interest rate applicable to a loan at the low end of a range is substantially higher than the true rate applicable at the high end of the range.
2. The add-on dollars and monthly payments are only very approximately related to a % add-on. The dollar charges added on to the lower ranges of loan have little co-relation with a % add-on.
3. Pursuant to 1 and 2 above there are very wide and inconsistent variations in the annual effective rate of interest throughout the table.

B. The 18% table for a 12 month contract is designed to replace the 12 month column in the add-on table. Similar replacements could be tabulated for all other columns.

In the interest of accuracy the 18% table is about twice as long as the add-on table. The 18% schedule is therefore in two parts - Unpaid balances $5. to $400. and $405. to $1,000. The section $405. to $1,000. would be printed on the back of the table.

A clerk using the 18% table performs exactly the same steps as in using the add-on table except for two slight additional procedures. (See "Instructions for use of table"). These are:

(a) Adjusting the finance charge and (b) recording the rate on the contract. Tests indicate that time required to perform these two additional steps is infinitesimal.

If a clerk follows the steps in the instructions (which would become all but automatic in a short time) he may declare the rate to the borrower with no calculation.

The true rate in any instance will not vary from the 18% rate declared by more than 1/8 of 1% per annum.

February 26, 1965.

EASY CREDIT FINANCE COMPANY

INSTRUCTIONS FOR USE OF 18% TABLE

Example:

Unpaid balance $172.50 to be financed over 12 equal instalments.

(Appendix 6) Using Add-on Table	(Appendix 5) Using 18% Table
1. Record unpaid balance	1. Record unpaid balance
2. Consult table for finance charge Found at level where Unpaid balance = $171. to $180. Finance charge is $21.	2. Consult table for finance charge Found at next higher unpaid balance of $175. Finance charge is $17.50
2A. (Not performed) See Note *	2A. Deduct from finance charge 10¢ for each $1. of unpaid balance below $175.00 $175.00 - $172.50 = $2.50 or $2½ Finance charge is $17.50 Less 10 cents x $2½ .25 Adjusted finance charge $17.25
3. Add Finance charge to Unpaid balance Unpaid balance $172.50 Add Finance charge 21.00 Aggregate of payments $193.50	3. Add Finance charge to Unpaid balance Unpaid balance $172.50 Add Finance charge 17.25 Aggregate of payments $189.75
4. Determine payments to be made Read from table for balances of $171.-$180. Monthly payment is $17.	4. Determine payments to be made Read from table for balance of $175.00 Monthly payment is $16.04

5. Calculate final payment

Aggregate payable =	$193.50
Deduct	
11 payments of $17.00	187.00
1 payment of	$ 6.50

6. (Not performed)

Note: Add-on rate is = 12.17%

Actuarial rate is = 21.76%

5. Calculate final payment

Aggregate payable =	$189.75
Deduct	
11 payments of $16.04	176.44
1 payment of	$ 13.31

6. Record rate as 18%
(read from table)

Note:

Exact Actuarial rate is 17.97%

* Note: An alternative to step 2A. in using the 18% table is to adjust the down payment so that the unpaid balance is brought to either $170.00 or $175.00. In either case no adjustment of finance charge would be required.

February 26, 1965.

THE EASY CREDIT FINANCE COMPANY

TABLE OF PAYMENTS

(RETAIL INSTALMENT SALES CONTRACTS)

EXAMPLE TABLE - 18% $5. TO $400.

8 months	10 months	12 months Payment per month $	Finance charges $	Unpaid balance $	14 months	16 months
		.46	.50	5.00		
		.92	1.00	10.00		
		1.38	1.50	15.00		
		1.83	2.00	20.00		
		2.29	2.50	25.00		
		2.75	3.00	30.00		
		3.21	3.50	35.00		
		3.67	4.00	40.00		
		4.12	4.50	45.00		
		4.58	5.00	50.00		
		5.04	5.50	55.00		
		5.50	6.00	60.00		
		5.96	6.50	65.00		
		6.42	7.00	70.00		
		6.87	7.50	75.00		
		7.33	8.00	80.00		
		7.79	8.50	85.00		
		8.25	9.00	90.00		
		8.71	9.50	95.00		
		9.17	10.00	100.00		
		9.63	10.50	105.00		
		10.08	11.00	110.00		
		10.54	11.50	115.00		
		11.00	12.00	120.00		
		11.46	12.50	125.00		
		11.92	13.00	130.00		
		12.37	13.50	135.00		
		12.83	14.00	140.00		
		13.29	14.50	145.00		
		13.75	15.00	150.00		
		14.21	15.50	155.00		
		14.67	16.00	160.00		
		15.12	16.50	165.00		
		15.58	17.00	170.00		
		16.04	17.50	175.00		
		16.50	18.00	180.00		
		16.96	18.50	185.00		
		17.42	19.00	190.00		
		17.87	19.50	195.00		
		18.33	20.00	200.00		
		18.79	20.50	205.00		
		19.25	21.00	210.00		
		19.71	21.50	215.00		
		20.17	22.00	220.00		
		20.63	22.50	225.00		
		21.09	23.00	230.00		
		21.54	23.50	235.00		
		22.00	24.00	240.00		
		22.46	24.50	245.00		
		22.92	25.00	250.00		
		23.38	25.50	255.00		
		23.84	26.00	260.00		
		24.30	26.50	265.00		
		24.75	27.00	270.00		
		25.21	27.50	275.00		
		25.67	28.00	280.00		
		26.13	28.50	285.00		
		26.69	29.00	290.00		
		27.05	29.50	295.00		
		27.50	30.00	300.00		
		27.96	30.50	305.00		
		28.42	31.00	310.00		
		28.88	31.50	315.00		
		29.34	32.00	320.00		
		29.80	32.50	325.00		
		30.26	33.00	330.00		
		30.71	33.50	335.00		
		31.17	34.00	340.00		
		31.63	34.50	345.00		
		32.09	35.00	350.00		
		32.55	35.50	355.00		
		33.01	36.00	360.00		
		33.47	36.50	365.00		
		33.92	37.00	370.00		
		34.38	37.50	375.00		
		34.84	38.00	380.00		
		35.30	38.50	385.00		
		35.76	39.00	390.00		
		36.22	39.50	395.00		
		36.67	40.00	400.00		

TABLE OF PAYMENTS

(RETAIL INSTALMENT SALES CONTRACTS)

EXAMPLE TABLE - 18% $405. TO $1,000.

8 months	10 months	12 months Payment per month	Finance charges	Unpaid balance	14 months	16 months
		$	$	$		
		37.13	40.50	405.00		
		37.59	41.00	410.00		
		38.05	41.50	415.00		
		38.51	42.00	420.00		
		38.97	42.50	425.00		
		39.43	43.00	430.00		
		39.88	43.50	435.00		
		40.34	44.00	440.00		
		40.80	44.50	445.00		
		41.26	45.00	450.00		
		41.72	45.50	455.00		
		42.18	46.00	460.00		
		42.64	46.50	465.00		
		43.09	47.00	470.00		
		43.95	47.50	475.00		
		44.41	48.00	480.00		
		44.87	48.50	485.00		
		45.33	49.00	490.00		
		45.79	49.50	495.00		
		45.84	50.00	500.00		
		46.76	51.00	510.00		
		47.68	52.00	520.00		
		48.58	53.00	530.00		
		49.50	54.00	540.00		
		50.42	55.00	550.00		
		51.34	56.00	560.00		
		52.24	57.00	570.00		
		53.16	58.00	580.00		
		54.08	59.00	590.00		
		55.00	60.00	600.00		
		55.92	61.00	610.00		
		56.84	62.00	620.00		
		57.74	63.00	630.00		
		58.66	64.00	640.00		
		59.58	65.00	650.00		
		60.50	66.00	660.00		
		61.40	67.00	670.00		
		62.32	68.00	680.00		
		63.24	69.00	690.00		
		64.17	70.00	700.00		
		65.09	71.00	710.00		
		66.01	72.00	720.00		
		66.91	73.00	730.00		
		67.83	74.00	740.00		
		68.75	75.00	750.00		
		69.67	76.00	760.00		
		70.57	77.00	770.00		
		71.49	78.00	780.00		
		72.41	79.00	790.00		
		73.34	80.00	800.00		
		74.26	81.00	810.00		
		75.18	82.00	820.00		
		76.10	83.00	830.00		
		77.02	84.00	840.00		
		77.94	85.00	850.00		
		78.86	86.00	860.00		
		79.76	87.00	870.00		
		80.68	88.00	880.00		
		81.60	89.00	890.00		
		82.51	90.00	900.00		
		83.43	91.00	910.00		
		84.35	92.00	920.00		
		85.25	93.00	930.00		
		86.17	94.00	940.00		
		87.09	95.00	950.00		
		88.01	96.00	960.00		
		88.92	97.00	970.00		
		89.84	98.00	980.00		
		90.76	99.00	990.00		
		91.68	100.00	1,000.00		

6 Months		8 Months		10 Months		12 Months		Unpaid Balance	14 Months		16 Months		18 Months		24 Months	
Chge	Amt per Mo.	Chge	Amt per Mo.	Chge	Amt per Mo.	Chge	Amt per Mo.		Chge	Amt per Mo.	Chge	Amt per Mo.	Chge	Amt per Mo.	Chge	Amt per Mo.
9	0	10	0					Up to 70								
9	14	10	11					71- 80								
10	17	10	12	13	10			81- 90								
10	18	11	14	14	11			91-100								
10	20	12	15	14	12	16	10	101-110								
11	21	13	16	15	13	17	11	111-120	20	10						
11	23	13	17	15	15	17	12	121-130	20	11						
11	25	14	19	16	16	18	13	131-140	21	11	24	10				
12	26	15	20	17	17	19	14	141-150	22	12	25	11				
12	28	15	22	18	18	20	15	151-160	23	13	26	12	30	10		
12	30	15	23	18	19	20	18	161-170	23	14	27	12	31	11		
12	32	16	24	19	20	21	17	171-180	24	15	28	13	32	12		
13	34	16	26	19	21	22	18	181-190	26	15	29	14	33	12		
13	35	17	27	20	22	23	19	191-200	27	16	31	14	34	13	46	10
14	37	17	28	21	23	24	19	201-210	28	17	32	15	36	14	48	11
14	39	18	30	21	24	25	20	211-220	29	18	33	16	38	14	50	11
15	41	19	31	22	25	26	21	221-230	30	19	35	17	39	15	52	12
16	42	19	32	23	26	27	22	231-340	31	19	36	17	40	16	54	12
16	44	20	34	24	27	28	23	241-250	33	20	37	18	42	16	56	13
17	46	20	35	24	28	29	24	251-260	34	21	39	19	44	17	58	13
17	48	21	36	26	30	30	25	261-270	35	22	40	19	45	17	60	14
18	49	22	38	26	31	31	26	271-280	36	23	41	20	46	18	62	14
18	51	22	39	27	32	32	27	281-290	37	23	42	21	47	19	64	15
19	53	23	40	28	33	32	28	291-300	37	24	43	21	48	19	65	15
19	55	23	42	28	34	32	28	301-310	37	25	43	22	49	20	66	16
20	56	24	43	28	35	33	29	311-320	38	26	44	23	50	21	66	16
20	58	24	44	29	36	34	30	321-330	39	26	45	23	51	21	68	17
21	61	25	45	29	37	34	31	331-340	40	27	46	24	52	22	69	17
21	62	26	47	30	38	35	32	341-350	41	28	47	25	53	22	70	17
21	64	26	48	30	39	37	33	351-360	43	29	49	26	55	23	74	18
22	66	27	49	31	40	38	34	361-370	44	30	51	26	57	24	76	18
22	68	27	51	31	41	39	35	371-380	45	30	52	27	58	24	78	19
22	69	28	52	32	42	39	36	381-390	46	31	52	28	59	25	79	20
23	70	28	53	33	43	40	37	391-400	47	32	53	28	60	26	80	20
23	72	29	54	34	44	41	38	401-410	48	33	55	29	61	26	82	20
24	74	29	56	35	46	42	38	411-420	49	33	56	30	62	27	84	21
24	76	30	57	36	47	42	39	421-430	49	34	56	30	63	27	85	21
24	76	30	58	36	46	43	40	431-440	50	35	57	31	64	28	86	22
25	80	31	59	37	49	43	41	441-450	50	36	58	32	65	29	87	22
25	61	31	61	37	50	44	42	451-460	51	36	59	32	66	29	88	23
26	83	32	62	38	51	44	43	461-470	51	37	59	33	67	30	89	23
26	64	32	63	38	52	45	44	471-480	52	38	60	34	68	30	90	24
27	65	33	65	39	53	46	45	481-490	53	39	61	34	69	31	92	24
27	87	33	66	40	54	46	45	491-500	54	40	62	35	70	32	93	25
27	91	34	69	42	56	47	47	501-520	55	41	63	36	71	33	94	26
28	94	36	72	43	58	48	49	521-540	56	43	64	38	72	34	96	26
29	98	37	74	44	60	50	51	541-560	58	44	67	39	75	35	100	27
29	101	38	77	46	63	52	53	561-580	61	46	69	41	78	37	104	28
30	105	39	79	48	65	54	54	581-600	63	47	72	42	81	38	108	29
31	109	40	82	49	67	56	56	601-620	65	49	75	43	84	39	112	30
32	112	41	84	50	69	57	58	621-640	66	50	76	45	86	40	114	31
33	116	42	87	52	71	59	60	641-660	69	52	79	46	89	42	118	32
34	119	43	90	53	73	61	62	661-680	71	54	81	48	92	43	122	33
35	122	44	93	54	75	62	63	681-700	72	55	83	49	93	44	124	34
36	126	47	95	56	78	64	65	701-720	75	57	85	50	96	45	128	35
37	129	48	98	58	80	65	67	721-740	76	58	87	52	98	47	130	36
37	133	49	101	59	82	67	69	741-760	79	60	91	53	102	48	134	37
38	136	50	103	60	84	70	71	761-780	82	62	93	55	105	49	140	38
39	139	51	106	62	88	71	73	761-800	83	63	95	56	107	50	142	39
40	143	53	109	63	88	72	74	801-820	84	65	96	57	108	52	144	40
41	146	54	112	65	91	74	78	821-840	86	66	99	59	111	53	148	41
42	149	56	115	67	93	76	78	841-860	89	68	101	60	114	54	152	42
43	154	57	117	69	95	78	80	861-880	91	69	104	62	117	55	156	43
44	157	58	119	70	97	80	82	881-900	93	71	107	63	120	57	160	44
46	161	59	122	71	99	81	63	901-920	94	72	108	64	121	58	162	45
47	164	60	125	73	101	82	85	921-940	96	74	109	66	123	59	164	46
48	168	61	128	74	103	84	87	941-960	98	76	112	67	126	60	168	47
49	171	62	130	75	106	86	89	961-980	100	77	115	66	129	62	172	48
50	174	63	132	78	108	88	91	981-1000	102	79	117	70	132	63	175	49
4.50%		5.75%		7.25%		8.50%		over 1000	9.75%		11.25%		12.75%		17.00%	

Unpaid Balance over $1000: To find monthly payment, calculate charge, add to unpaid balance, divide by the number of months and adjust result to nearest dollar. Odd amounts will be adjusted in the final instalment.

51959

NIAGARA FINANCE COMPANY LIMITED

SMALL LOAN EVEN DOLLAR REPAYMENT CHART

DO NOT USE OTHER THAN AMOUNTS AND TERMS SHOWN ON THIS CHART FOR SMALL LOANS

Monthly Payment	12 Months Cash Adv.	12 Months Ins. Prem.	Interest Rate % Per Month	Interest Rate % Per Annum
6	63.45	.29	2.0000	24.0000
8	84.60	.38	2.0000	24.0000
10	105.75	.48	2.0000	24.0000
12	126.90	.57	2.0000	24.0000
14	148.05	.67	2.0000	24.0000
16	169.21	.76	2.0000	24.0000
18	190.36	.86	2.0000	24.0000
20	211.51	.95	2.0000	24.0000
22	232.66	1.05	2.0000	24.0000
24	253.81	1.14	2.0000	24.0000
26	274.96	1.24	2.0000	24.0000
28	296.11	1.33	2.0000	24.0000
30	317.43	1.43	1.9913	23.8956
32	338.92	1.53	1.9757	23.7084
34	360.52	1.62	1.9571	23.4852
36	382.25	1.72	1.9350	23.2200
38	404.08	1.82	1.9112	22.9344
40	425.96	1.92	1.8879	22.6548
42	447.91	2.02	1.8642	22.3704
44	469.94	2.11	1.8400	22.0800
46	491.96	2.21	1.8182	21.8184
48	514.08	2.31	1.7950	21.5400
50	536.23	2.41	1.7737	21.2844
55	591.66	2.66	1.7233	20.6796
60	647.29	2.91	1.6776	20.1312
65	702.97	3.16	1.6378	19.6536
70	758.81	3.41	1.6003	19.2036
75	814.65	3.67	1.5671	18.8052
76	825.82	3.72	1.5602	18.7224
80	870.53	3.92	1.5385	18.4620
85	926.55	4.17	1.5103	18.1236
90	982.56	4.42	1.4857	17.8284
92	1004.99	4.52	1.4763	17.7156
93	1016.25	4.57	1.4710	17.6520
94	1027.51	4.62	1.4658	17.5896
95	1038.77	4.67	1.4608	17.5308
96	1050.02	4.73	1.4561	17.4732
97	1061.28	4.78	1.4512	17.4144
98	1072.54	4.83	1.4465	17.3880
99	1083.80	4.88	1.4418	17.3016
100	1095.10	4.93	1.4367	17.2404
101	1106.41	4.98	1.4315	17.1780
102	1117.72	5.03	1.4264	17.1168
103	1129.03	5.08	1.4214	17.0568
104	1140.34	5.13	1.4166	16.9992
105	1151.68	5.18	1.4114	16.9368
106	1163.01	5.23	1.4064	16.8768
107	1174.35	5.29	1.4014	16.8168
108	1185.68	5.34	1.3967	16.7604
109	1197.05	5.39	1.3914	16.6968
110	1208.43	5.44	1.3862	16.6344
111	1219.82	5.49	1.3809	16.5708

STATEMENT OF MORTGAGE

This form must be completed in duplicate with every mortgage application in accordance with the Regulations under The Mortgage Brokers Registration Act, and one copy given to the borrower at least 24 hours before he is asked to sign the mortgage documents.

Property Mortgaged (address and description of buildings) .....

.....

.....

1. Principal amount of the ..... ; .....
(REGULAR OR COLLATERAL) (1ST, 2ND OR 3RD)

Mortgage to be repaid by the Borrower ..... $_____

2. Deduct Bonus, Charges, Fees, etc. (This amount must equal total items under Section 8) .. $_____

3. Amount of money to be paid to the Borrower or to be disbursed on his directions is ..... $_____

4. THE MINIMUM ANNUAL RATE OF INTEREST ON THIS MORTGAGE IS .....%
(This rate will be higher than the rate shown below in item 5, whenever there is a bonus charged).

5. Tbe Principal amount of the Mortgage (item 1) of $_____ _____ will bear interest at _____% per year and will be repayable in_____instalments of $_____ _____interest.
(MONTHLY OR QUARTERLY) (PLUS OR INCLUDING)

6. The Mortgage will become due and payable in_____years at which time the Borrower, if all payments are made on the due dates, will owe ..... $_____

7. The Mortgage is not renewable on the same terms as item 5 above and does not contain any other privileges except as follows: .....

.....

.....

8. The BONUS, Charges, Fees, etc., to be deducted from the Principal amount of the Mortgage under item 2 above, are made up as follows:
BONUS on Mortgage ..... $_____
Brokerage Fees or Commissions ..... $_____
Inspection and Appraisal Fees ..... $_____
Legal Fees and Disbursements of not more than ..... $_____
TOTAL as shown in item 2 above ..... $_____

I, _____ of _____
NAME ADDRESS
the borrower under this proposed Mortgage, have read and fully understand the above statement furnished me by ____

_____
NAME AND ADDRESS OF BROKER

I have not yet signed any Mortgage papers or blank documents on this Mortgage and now sign this statement in duplicate, which bas been fully completed this_____ day of _____ 19____, and I hereby acknowledge receipt of a fully completed signed copy.

_____
Signature of Borrower.

I _____ have fully completed the above statement
NAME OF BROKER
in duplicate and have furnished one signed copy to the Borrower on the above date.

_____
Signature of Broker.

5M Revised 1963.

FINANCIAL

RATE TRANSLATER

and Guide to

Legal Instalment Sales Rates

Prepared by

FINANCIAL PUBLISHING COMPANY

82 Brookline Avenue, Boston 15, Mass.

KEnmore 6-1827

Specialists in all Tables needed for Consumer Finance

Summary *of* Auto Finance *and* Other Goods Laws

(*all rates are add-on unless otherwise designated*)

Ariz.:	Autos, Class I, 8%; Class II, 12%. Minimum $15.
Calif.:	Autos, 12%. Minimum $25. Other Goods: 10% on first $1000, 8% on excess. Minimum under 8 months $10; over, $12.
Colo.:	Autos, Class I, 8%; Class II, 12%; Class III, 15%; Class IV, 17%. Minimum $25. Other Goods: 15% on first $300, 12% on excess to $1000, 10% on excess. Minimum $10.
Conn.:	Autos, Class I, 7%; Class II, 9%; Class III, 12%; Class IV, 14% (if under $300, 15%). Minimum $15.
Del.:	Autos, Class I, 7%; Class II, 10%; Class III, 13%. Minimum $25. Other Goods: 10% on first $1000, 8% on excess. Minimum 8 months or less, $10; over 8 months, $12.
D. C.:	Autos, Class I, 8%; Class II, 11%; Class III, 14%; Class IV, 16%. Minimum $25.
Fla.:	Autos, Class I, 8%; Class II, 11%; Class III, 15%; Class IV, 17%. Minimum $25. Other Goods, 10%. Minimum $15.
Hawaii:	All goods: 12% discount to 18 months, 9% next 12 months, 6% next 12 months, 3% next 6 months.
Ind.:	Autos, Class I, 8%; Class II, 9%; Class III, 11%; Class IV, 14%. Minimum $10. Other Goods, 12%. Minimum $5.
Iowa:	Autos, Class I, 15% actuarial; Class II, 21% actuarial; Class III, 27% actuarial; Class IV, 27% actuarial plus $1 per month, not more than $12. Compute add-on equivalent for 12 months, and apply pro rata. Minimum $25.
Kansas:	Autos, Class I, 7%; Class II, 10%; Class III, 13%. Other Goods: 12% on first $300, 9% on excess to $1000, 8% on excess. Minimum $15.
Kentucky:	Autos, Class I, 9%; Class II, 13%; Class III, 15%.
Louisiana:	Same as Iowa.
Maine:	Autos, Class I, 7%; Class II, 11%; Class III, 13%. Minimum $25.
Maryland:	Autos, Class I, 9%; Class II, 12%; Class III, 15%.
Mass.:	Autos, Class I, 8%; Class II, 10%; Class III, 12%.
Mich.:	Autos, Class I, 6%; Class II, 9%; Class III, 12%. Minimum $15.
Minn.:	Autos, Class I, 8%; Class II, 11%; Class III, 13% plus $3.

(*continued on page 20*)

EXPLANATION

Traditionally the return on money invested is stated as an annual interest rate on the funds actually in use. For monthly payment loans the interest rate per month is 1/12 of the annual interest rate. In these tables we shall call this *annual* interest rate the *actuarial* rate. It is exactly the same rate you talk about for a G. I. mortgage, or an FHA mortgage or any other direct reduction loan. The actuarial rate expresses the true return on an investment; any other is at best an approximation.

Thirty-five states and the District of Columbia now have statutes specifying the maximum finance charge on auto or other installment finance, most of them expressing this maximum rate as an "add-on"; that is, the charge per $100 of original balance per year applied for the full term. The actuarial interest rate on funds actually in use is something less than double the stated rate of charge.

The next 4 pages translate "add-on" rates into actuarial rates, and vice versa.

Bank installment loans are often made on a "discount per year" basis; that is, the charge is deducted from the note instead of added on to the amount borrowed. Pages 8 to 11 are tables translating "discount per year" into actuarial rates, and vice versa.

The FHA Title I home improvement loans prescribe a different method of charge, the "Constant Ratio". Pages 12-15 are tables translating this to actuarial rates, and vice versa.

Pages 2 and 20 summarize the rates named as maximum by statute in each state.

INDEX TO TRANSLATER TABLES

Pages

4-5 Add-on to actuarial.

6-7 Actuarial to add-on.

8-9 Discount per year to actuarial.

10-11 Actuarial to discount per year.

12-13 One year discount, constant ratio, to actuarial.

14-15 Actuarial to one year discount, constant ratio.

Actuarial Equivalents *of* Add-on Rates

The annual add-on rate is shown as the left hand index. If this rate is applied to the original amount for the full term and the loan is repaid monthly, then the body of the table shows the actuarial rate of return on the money actually outstanding.

Add-on Rate per year	TERM - months								
	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
1.00	1.50	1.71	1.80	1.84	1.87	1.89	1.91	1.92	1.93
2.00	3.00	3.42	3.59	3.67	3.72	3.76	3.79	3.81	3.82
3.00	4.49	5.12	5.37	5.49	5.56	5.61	5.66	5.68	5.68
3.50	5.24	5.98	6.26	6.40	6.48	6.53	6.58	6.60	6.60
4.00	5.99	6.82	7.14	7.30	7.39	7.45	7.50	7.52	7.51
4.25	6.36	7.25	7.59	7.75	7.85	7.91	7.96	7.97	7.96
4.50	6.74	7.67	8.03	8.21	8.30	8.36	8.41	8.43	8.41
4.75	7.11	8.10	8.47	8.66	8.76	8.82	8.87	8.88	8.86
5.00	7.48	8.52	8.91	9.10	9.21	9.27	9.32	9.33	9.31
5.25	7.86	8.94	9.35	9.55	9.66	9.73	9.78	9.78	9.76
5.50	8.23	9.37	9.79	10.00	10.11	10.18	10.23	10.23	10.20
5.75	8.60	9.79	10.23	10.45	10.57	10.63	10.68	10.67	10.64
6.00	8.98	10.21	10.67	10.90	11.02	11.08	11.13	11.12	11.08
6.25	9.35	10.64	11.11	11.34	11.46	11.53	11.57	11.56	11.52
6.50	9.72	11.06	11.55	11.79	11.91	11.98	12.02	12.00	11.96
6.75	10.10	11.48	11.99	12.23	12.36	12.43	12.47	12.44	12.39
7.00	10.47	11.90	12.43	12.68	12.81	12.87	12.91	12.88	12.83
7.25	10.84	12.32	12.87	13.12	13.25	13.32	13.35	13.32	13.26
7.50	11.22	12.74	13.30	13.57	13.70	13.77	13.80	13.76	13.69
7.75	11.59	13.17	13.74	14.01	14.14	14.21	14.24	14.19	14.12
8.00	11.96	13.59	14.18	14.45	14.59	14.65	14.68	14.63	14.55
8.25	12.33	14.01	14.61	14.89	15.03	15.10	15.12	15.06	14.97
8.50	12.71	14.43	15.05	15.34	15.48	15.54	15.55	15.49	15.40
8.75	13.08	14.85	15.49	15.78	15.92	15.98	15.99	15.92	15.82
9.00	13.45	15.27	15.92	16.22	16.36	16.42	16.43	16.35	16.24
9.25	13.82	15.69	16.35	16.66	16.80	16.86	16.86	16.78	16.66
9.50	14.19	16.11	16.79	17.10	17.24	17.30	17.29	17.21	17.08
9.75	14.57	16.53	17.22	17.53	17.68	17.74	17.73	17.63	17.50
10.00	14.94	16.94	17.66	17.97	18.12	18.17	18.16	18.06	17.92
10.25	15.31	17.36	18.09	18.41	18.56	18.61	18.59	18.48	18.33
10.50	15.68	17.78	18.52	18.85	18.99	19.05	19.02	18.90	18.75
10.75	16.05	18.20	18.95	19.28	19.43	19.48	19.44	19.32	19.16
11.00	16.43	18.62	19.39	19.72	19.86	19.91	19.87	19.74	19.57
11.25	16.80	19.04	19.82	20.15	20.30	20.35	20.30	20.16	19.98
11.50	17.17	19.45	20.25	20.59	20.73	20.78	20.72	20.57	20.39
11.75	17.54	19.87	20.68	21.02	21.17	21.21	21.15	20.99	20.79
12.00	17.91	20.26	21.11	21.46	21.60	21.64	21.57	21.41	21.20
12.25	18.28	20.63	21.54	21.89	22.03	22.07	21.99	21.82	21.60
12.50	18.65	21.00	21.97	22.32	22.47	22.50	22.42	22.23	22.01
12.75	19.03	21.37	22.40	22.76	22.90	22.93	22.84	22.64	22.41
13.00	19.40	21.74	22.83	23.19	23.33	23.36	23.26	23.05	22.81
13.50	20.14	22.48	23.68	24.05	24.19	24.21	24.09	23.87	23.61
14.00	20.88	23.22	24.54	24.91	25.04	25.06	24.92	24.68	24.40
14.50	21.62	23.97	25.39	25.77	25.90	25.91	25.75	25.49	25.19
15.00	22.36	24.71	26.24	26.62	26.75	26.75	26.58	26.30	25.98
15.50	23.10	25.45	27.09	27.48	27.60	27.60	27.40	27.10	26.76
16.00	23.84	26.19	27.94	28.33	28.45	28.43	28.22	27.89	27.53
16.50	24.58	26.93	28.79	29.18	29.29	29.27	29.03	28.69	28.30
17.00	25.32	27.67	29.64	30.03	30.14	30.10	29.85	29.48	29.07
18.00	26.80	29.15	31.32	31.72	31.81	31.76	31.46	31.04	30.59
19.00	28.28	30.62	32.97	33.40	33.48	33.41	33.06	32.60	32.10
20.00	29.76	32.10	34.44	35.07	35.14	35.05	34.65	34.14	33.60

Actuarial Equivalents *of* Add-on Rates

The annual add-on rate is shown as the left hand index. If this rate is applied to the original amount for the full term and the loan is repaid monthly, then the body of the table shows the actuarial rate of return on the money actually outstanding.

Add-on Rate per year	TERM - months								
	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
1.00	1.93	1.93	1.94	1.94	1.94	1.93	1.93	1.93	1.92
2.00	3.82	3.82	3.82	3.82	3.80	3.79	3.77	3.75	3.74
3.00	5.68	5.67	5.66	5.64	5.61	5.57	5.54	5.50	5.46
3.50	6.59	6.58	6.56	6.54	6.49	6.44	6.39	6.34	6.29
4.00	7.50	7.47	7.45	7.42	7.36	7.30	7.23	7.17	7.11
4.25	7.94	7.92	7.89	7.86	7.79	7.72	7.65	7.58	7.51
4.50	8.39	8.36	8.33	8.29	8.22	8.14	8.06	7.98	7.91
4.75	8.84	8.80	8.77	8.72	8.64	8.55	8.47	8.38	8.30
5.00	9.28	9.24	9.20	9.15	9.06	8.97	8.87	8.78	8.69
5.25	9.72	9.68	9.63	9.58	9.48	9.37	9.27	9.17	9.08
5.50	10.16	10.11	10.06	10.01	9.89	9.78	9.67	9.56	9.46
5.75	10.60	10.54	10.49	10.43	10.31	10.18	10.06	9.95	9.84
6.00	11.03	10.97	10.91	10.85	10.72	10.58	10.46	10.33	10.21
6.25	11.47	11.40	11.34	11.27	11.12	10.98	10.85	10.71	10.59
6.50	11.90	11.83	11.76	11.68	11.53	11.38	11.23	11.09	10.96
6.75	12.33	12.25	12.17	12.09	11.93	11.77	11.61	11.47	11.32
7.00	12.76	12.68	12.59	12.50	12.33	12.16	11.99	11.84	11.69
7.25	13.18	13.10	13.00	12.91	12.73	12.55	12.37	12.21	12.05
7.50	13.61	13.51	13.42	13.32	13.12	12.93	12.75	12.57	12.41
7.75	14.03	13.93	13.83	13.72	13.52	13.31	13.12	12.94	12.76
8.00	14.45	14.35	14.24	14.13	13.91	13.69	13.49	13.30	13.12
8.25	14.87	14.76	14.64	14.53	14.29	14.07	13.86	13.66	13.47
8.50	15.29	15.17	15.05	14.92	14.68	14.45	14.23	14.02	13.82
8.75	15.70	15.58	15.45	15.32	15.07	14.82	14.59	14.37	14.16
9.00	16.12	15.99	15.85	15.71	15.45	15.19	14.95	14.72	14.51
9.25	16.53	16.39	16.25	16.11	15.83	15.56	15.31	15.07	14.85
9.50	16.94	16.80	16.65	16.50	16.21	15.93	15.67	15.42	15.19
9.75	17.35	17.20	17.04	16.89	16.58	16.29	16.02	15.77	15.53
10.00	17.76	17.60	17.44	17.27	16.96	16.66	16.38	16.11	15.86
10.25	18.17	18.00	17.83	17.66	17.33	17.02	16.73	16.45	16.20
10.50	18.58	18.40	18.22	18.04	17.70	17.38	17.08	16.79	16.53
10.75	18.98	18.79	18.61	18.42	18.07	17.74	17.42	17.13	16.86
11.00	19.38	19.19	19.00	18.80	18.44	18.09	17.77	17.47	17.19
11.25	19.78	19.58	19.38	19.18	18.80	18.45	18.11	17.80	17.52
11.50	20.18	19.97	19.77	19.56	19.17	18.80	18.46	18.14	17.84
11.75	20.58	20.36	20.15	19.94	19.53	19.15	18.80	18.47	18.17
12.00	20.98	20.75	20.53	20.31	19.89	19.50	19.13	18.80	18.49
12.25	21.37	21.14	20.91	20.68	20.25	19.85	19.47	19.13	18.81
12.50	21.77	21.53	21.29	21.05	20.61	20.19	19.81	19.45	19.13
12.75	22.16	21.91	21.66	21.42	20.96	20.54	20.14	19.78	19.44
13.00	22.55	22.30	22.04	21.79	21.32	20.88	20.47	20.10	19.76
13.50	23.33	23.06	22.79	22.52	22.02	21.56	21.14	20.75	20.39
14.00	24.11	23.82	23.53	23.25	22.72	22.24	21.79	21.38	21.01
14.50	24.88	24.57	24.26	23.97	23.41	22.91	22.44	22.02	21.63
15.00	25.64	25.32	24.99	24.68	24.10	23.57	23.09	22.64	22.24
15.50	26.41	26.06	25.72	25.39	24.79	24.23	23.73	23.27	22.85
16.00	27.16	26.80	26.44	26.10	25.46	24.88	24.36	23.88	23.45
16.50	27.91	27.53	27.16	26.80	26.14	25.54	24.99	24.50	24.05
17.00	28.66	28.26	27.87	27.50	26.81	26.18	25.62	25.11	24.65
18.00	30.14	29.70	29.28	28.88	28.13	27.46	26.86	26.31	25.82
19.00	31.61	31.13	30.67	30.24	29.44	28.72	28.08	27.51	26.99
20.00	33.06	32.54	32.05	31.58	30.73	29.97	29.29	28.68	28.14

Add-on Equivalents *of* Actuarial Rates

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent "add-on" rate which would be applied to the original amount for the full term.

Annual Actuarial Rate	TERM - months								
	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
4.00	2.67	2.34	2.23	2.18	2.15	2.13	2.11	2.10	2.10
4.25	2.84	2.49	2.37	2.32	2.29	2.27	2.24	2.23	2.23
4.50	3.00	2.63	2.51	2.45	2.42	2.40	2.38	2.37	2.36
4.75	3.17	2.78	2.65	2.59	2.56	2.53	2.51	2.50	2.50
5.00	3.34	2.93	2.79	2.73	2.69	2.67	2.65	2.64	2.63
5.25	3.51	3.07	2.93	2.87	2.83	2.81	2.78	2.77	2.77
5.50	3.67	3.22	3.07	3.00	2.96	2.94	2.91	2.90	2.90
5.75	3.84	3.37	3.21	3.14	3.10	3.08	3.05	3.04	3.04
6.00	4.01	3.51	3.36	3.28	3.24	3.21	3.18	3.17	3.17
6.25	4.17	3.66	3.50	3.42	3.37	3.35	3.32	3.31	3.31
6.50	4.34	3.81	3.64	3.56	3.51	3.48	3.46	3.45	3.45
6.75	4.51	3.96	3.78	3.69	3.65	3.62	3.59	3.58	3.58
7.00	4.68	4.10	3.92	3.83	3.78	3.76	3.73	3.72	3.72
7.25	4.84	4.25	4.06	3.97	3.92	3.89	3.86	3.85	3.86
7.50	5.01	4.40	4.20	4.11	4.06	4.03	4.00	3.99	3.99
7.75	5.18	4.55	4.34	4.25	4.20	4.16	4.14	4.13	4.13
8.00	5.35	4.69	4.48	4.39	4.33	4.30	4.27	4.27	4.27
8.25	5.51	4.84	4.63	4.52	4.47	4.44	4.41	4.40	4.41
8.50	5.68	4.99	4.77	4.66	4.61	4.58	4.55	4.54	4.55
8.75	5.85	5.14	4.91	4.80	4.75	4.71	4.68	4.68	4.69
9.00	6.01	5.28	5.05	4.94	4.88	4.85	4.82	4.82	4.83
9.25	6.18	5.43	5.19	5.08	5.02	4.99	4.96	4.96	4.97
9.50	6.35	5.58	5.33	5.22	5.16	5.13	5.10	5.10	5.11
9.75	6.52	5.73	5.48	5.36	5.30	5.26	5.24	5.23	5.25
10.00	6.69	5.87	5.62	5.50	5.44	5.40	5.37	5.37	5.39
10.50	7.02	6.17	5.90	5.78	5.71	5.68	5.65	5.65	5.67
11.00	7.36	6.47	6.19	6.06	5.99	5.96	5.93	5.93	5.95
11.50	7.69	6.76	6.47	6.34	6.27	6.23	6.21	6.22	6.24
12.00	8.03	7.06	6.76	6.62	6.55	6.51	6.49	6.50	6.52
12.50	8.36	7.35	7.04	6.90	6.83	6.79	6.77	6.78	6.81
13.00	8.70	7.65	7.33	7.18	7.11	7.07	7.05	7.07	7.10
13.50	9.03	7.95	7.61	7.46	7.39	7.35	7.33	7.35	7.39
14.00	9.37	8.25	7.90	7.74	7.67	7.63	7.62	7.64	7.68
14.50	9.71	8.54	8.18	8.03	7.95	7.91	7.90	7.93	7.97
15.00	10.04	8.84	8.47	8.31	8.23	8.20	8.18	8.21	8.27
15.50	10.38	9.14	8.76	8.59	8.51	8.48	8.47	8.50	8.56
16.00	10.71	9.44	9.05	8.88	8.80	8.76	8.76	8.79	8.86
16.50	11.05	9.73	9.33	9.16	9.08	9.04	9.04	9.09	9.15
17.00	11.39	10.03	9.62	9.45	9.36	9.33	9.33	9.38	9.45
17.50	11.72	10.33	9.91	9.73	9.65	9.61	9.62	9.67	9.75
18.00	12.06	10.63	10.20	10.02	9.93	9.90	9.91	9.97	10.05
18.50	12.40	10.93	10.49	10.30	10.22	10.19	10.20	10.26	10.35
19.00	12.73	11.23	10.78	10.59	10.50	10.47	10.49	10.56	10.65
19.50	13.07	11.53	11.07	10.87	10.79	10.76	10.78	10.86	10.96
20.00	13.41	11.83	11.36	11.16	11.08	11.05	11.07	11.16	11.26
20.50	13.74	12.13	11.65	11.45	11.36	11.34	11.37	11.46	11.57
21.00	14.08	12.43	11.94	11.74	11.65	11.63	11.66	11.76	11.88
21.50	14.42	12.73	12.23	12.02	11.94	11.92	11.96	12.06	12.19
22.00	14.76	13.03	12.52	12.31	12.23	12.21	12.25	12.36	12.50
23.00	15.43	13.63	13.10	12.89	12.81	12.79	12.85	12.97	13.12
24.00	16.11	14.23	13.69	13.47	13.39	13.38	13.45	13.58	13.75
25.00	16.78	14.83	14.27	14.05	13.97	13.96	14.05	14.20	14.38

Add-on Equivalents *of* Actuarial Rates

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent "add-on" rate which would be applied to the original amount for the full term.

Annual Actuarial Rate	TERM - months								
	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
4.00	2.09	2.09	2.10	2.10	2.11	2.12	2.13	2.14	2.15
4.25	2.23	2.23	2.23	2.24	2.24	2.26	2.27	2.28	2.29
4.50	2.36	2.36	2.37	2.37	2.38	2.39	2.41	2.42	2.44
4.75	2.50	2.50	2.50	2.51	2.52	2.53	2.55	2.57	2.58
5.00	2.63	2.64	2.64	2.65	2.66	2.67	2.69	2.71	2.73
5.25	2.77	2.77	2.78	2.78	2.80	2.82	2.84	2.85	2.88
5.50	2.90	2.91	2.91	2.92	2.94	2.96	2.98	3.00	3.02
5.75	3.04	3.04	3.05	3.06	3.08	3.10	3.12	3.15	3.17
6.00	3.18	3.18	3.19	3.20	3.22	3.24	3.27	3.30	3.32
6.25	3.31	3.32	3.33	3.34	3.36	3.39	3.42	3.44	3.47
6.50	3.45	3.46	3.47	3.48	3.51	3.53	3.56	3.59	3.63
6.75	3.59	3.60	3.61	3.62	3.65	3.68	3.71	3.74	3.78
7.00	3.73	3.74	3.75	3.76	3.79	3.83	3.86	3.90	3.93
7.25	3.86	3.87	3.89	3.90	3.94	3.97	4.01	4.05	4.09
7.50	4.00	4.01	4.03	4.05	4.08	4.12	4.16	4.20	4.24
7.75	4.14	4.15	4.17	4.19	4.23	4.27	4.31	4.36	4.40
8.00	4.28	4.30	4.31	4.33	4.37	4.42	4.46	4.51	4.56
8.25	4.42	4.44	4.46	4.48	4.52	4.57	4.62	4.67	4.72
8.50	4.56	4.58	4.60	4.62	4.67	4.72	4.77	4.82	4.88
8.75	4.70	4.72	4.74	4.76	4.82	4.87	4.93	4.98	5.04
9.00	4.84	4.86	4.89	4.91	4.96	5.02	5.08	5.14	5.20
9.25	4.98	5.00	5.03	5.06	5.11	5.17	5.24	5.30	5.36
9.50	5.12	5.15	5.17	5.20	5.26	5.33	5.39	5.46	5.53
9.75	5.27	5.29	5.32	5.35	5.41	5.48	5.55	5.62	5.69
10.00	5.41	5.44	5.46	5.50	5.56	5.64	5.71	5.78	5.86
10.50	5.69	5.72	5.76	5.79	5.87	5.95	6.03	6.11	6.19
11.00	5.98	6.01	6.05	6.09	6.17	6.26	6.35	6.44	6.53
11.50	6.27	6.31	6.35	6.39	6.48	6.58	6.68	6.77	6.87
12.00	6.56	6.60	6.65	6.69	6.79	6.90	7.00	7.11	7.22
12.50	6.85	6.90	6.95	7.00	7.11	7.22	7.33	7.45	7.57
13.00	7.14	7.19	7.25	7.30	7.42	7.54	7.67	7.79	7.92
13.50	7.44	7.49	7.55	7.61	7.74	7.87	8.01	8.14	8.27
14.00	7.73	7.79	7.86	7.92	8.06	8.20	8.35	8.49	8.63
14.50	8.03	8.09	8.16	8.23	8.38	8.54	8.69	8.84	8.99
15.00	8.33	8.40	8.47	8.55	8.71	8.87	9.03	9.20	9.36
15.50	8.63	8.70	8.78	8.86	9.03	9.21	9.38	9.56	9.73
16.00	8.93	9.01	9.09	9.18	9.36	9.55	9.73	9.92	10.10
16.50	9.23	9.32	9.41	9.50	9.70	9.89	10.09	10.28	10.48
17.00	9.53	9.63	9.72	9.82	10.03	10.24	10.45	10.65	10.86
17.50	9.84	9.94	10.04	10.15	10.36	10.59	10.81	11.02	11.24
18.00	10.15	10.25	10.36	10.47	10.70	10.94	11.17	11.40	11.62
18.50	10.45	10.56	10.68	10.80	11.04	11.29	11.53	11.77	12.01
19.00	10.76	10.88	11.00	11.13	11.39	11.64	11.90	12.15	12.40
19.50	11.07	11.20	11.33	11.46	11.73	12.00	12.27	12.54	12.79
20.00	11.39	11.52	11.65	11.79	12.08	12.36	12.64	12.92	13.19
20.50	11.70	11.84	11.98	12.13	12.43	12.72	13.02	13.31	13.59
21.00	12.01	12.16	12.31	12.46	12.78	13.09	13.40	13.70	13.99
21.50	12.33	12.48	12.64	12.80	13.13	13.46	13.78	14.09	14.40
22.00	12.65	12.81	12.97	13.14	13.48	13.83	14.16	14.49	14.80
23.00	13.29	13.46	13.64	13.83	14.20	14.57	14.93	15.29	15.63
24.00	13.93	14.12	14.32	14.52	14.93	15.33	15.72	16.09	16.46
25.00	14.58	14.79	15.00	15.22	15.66	16.09	16.51	16.91	17.30

ACTUARIAL EQUIVALENT *of* DISCOUNT RATES

The annual discount rate is shown as the left hand index. If this rate is applied to the total note for the full term and the loan is repaid monthly, then the body of the table shows the actuarial rate of return on the money actually outstanding.

Discount Rate per year	TERM - months 3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
1.00	1.50	1.72	1.81	1.86	1.89	1.91	1.95	1.97	1.99
1.25	1.88	2.15	2.27	2.33	2.37	2.40	2.44	2.47	2.50
1.50	2.26	2.59	2.72	2.80	2.85	2.89	2.94	2.98	3.01
1.75	2.63	3.02	3.18	3.27	3.33	3.38	3.44	3.49	3.53
2.00	3.01	3.46	3.64	3.75	3.82	3.87	3.95	4.01	4.06
2.25	3.39	3.89	4.10	4.22	4.30	4.37	4.46	4.53	4.59
2.50	3.77	4.33	4.56	4.70	4.79	4.87	4.97	5.06	5.13
2.75	4.15	4.76	5.03	5.18	5.29	5.37	5.49	5.59	5.68
3.00	4.53	5.20	5.49	5.66	5.78	5.87	6.01	6.13	6.23
3.25	4.91	5.64	5.96	6.14	6.28	6.38	6.54	6.67	6.78
3.50	5.29	6.08	6.42	6.63	6.77	6.89	7.07	7.21	7.35
3.75	5.67	6.52	6.89	7.12	7.27	7.40	7.60	7.77	7.92
4.00	6.05	6.96	7.36	7.60	7.78	7.92	8.14	8.32	8.50
4.25	6.43	7.41	7.83	8.09	8.28	8.43	8.68	8.89	9.08
4.50	6.81	7.85	8.31	8.59	8.79	8.95	9.22	9.46	9.67
4.75	7.20	8.29	8.78	9.08	9.30	9.48	9.77	10.03	10.27
5.00	7.58	8.74	9.26	9.58	9.81	10.01	10.33	10.61	10.88
5.25	7.96	9.18	9.73	10.07	10.33	10.54	10.89	11.19	11.49
5.50	8.35	9.63	10.21	10.57	10.85	11.07	11.45	11.79	12.11
5.75	8.73	10.08	10.69	11.08	11.37	11.61	12.02	12.38	12.74
6.00	9.11	10.53	11.18	11.58	11.89	12.15	12.59	12.99	13.38
6.25	9.50	10.98	11.65	12.09	12.41	12.69	13.16	13.60	14.02
6.50	9.88	11.43	12.14	12.59	12.94	13.24	13.75	14.21	14.68
6.75	10.27	11.88	12.62	13.10	13.47	13.78	14.33	14.84	15.34
7.00	10.66	12.33	13.10	13.61	14.00	14.34	14.92	15.47	16.01
7.25	11.04	12.78	13.60	14.13	14.54	14.89	15.52	16.10	16.69
7.50	11.43	13.24	14.09	14.64	15.08	15.45	16.12	16.75	17.38
7.75	11.82	13.69	14.58	15.16	15.62	16.01	16.72	17.40	18.08
8.00	12.20	14.15	15.07	15.68	16.16	16.58	17.33	18.06	18.79
8.25	12.59	14.60	15.56	16.20	16.71	17.15	17.95	18.72	19.51
8.50	12.98	15.06	16.06	16.73	17.26	17.72	18.57	19.39	20.24
8.75	13.37	15.52	16.55	17.25	17.81	18.30	19.20	20.07	20.98
9.00	13.76	15.98	17.05	17.78	18.36	18.88	19.83	20.76	21.73
9.25	14.15	16.44	17.55	18.31	18.92	19.46	20.47	21.46	22.49
9.50	14.54	16.90	18.05	18.84	19.48	20.05	21.11	22.16	23.27
9.75	14.93	17.36	18.56	19.38	20.04	20.64	21.76	22.88	24.06
10.00	15.32	17.83	19.06	19.91	20.61	21.24	22.42	23.60	24.85
10.25	15.71	18.29	19.56	20.45	21.18	21.84	23.08	24.33	25.66
10.50	16.10	18.75	20.07	20.99	21.75	22.44	23.74	25.07	26.49
10.75	16.50	19.22	20.58	21.53	22.33	23.04	24.42	25.82	27.33
11.00	16.89	19.69	21.09	22.08	22.90	23.65	25.09	26.57	28.18
11.25	17.28	20.16	21.60	22.63	23.48	24.27	25.78	27.34	29.04
11.50	17.67	20.62	22.12	23.18	24.07	24.89	26.47	28.12	29.92
11.75	18.07	21.09	22.63	23.73	24.66	25.51	27.17	28.90	30.82
12.00	18.46	21.56	23.15	24.28	25.25	26.14	27.87	29.70	31.73
12.25	18.86	22.04	23.66	24.84	25.84	26.77	28.59	30.51	32.65
12.50	19.25	22.51	24.18	25.40	26.44	27.40	29.30	31.33	33.60
12.75	19.65	22.98	24.71	25.96	27.04	28.04	30.03	32.16	34.55
13.00	20.04	23.46	25.23	26.52	27.64	28.68	30.76	33.00	35.53
13.25	20.44	23.93	25.75	27.09	28.25	29.33	31.50	33.85	36.53
13.50	20.84	24.41	26.28	27.66	28.85	29.98	32.25	34.71	37.54

ACTUARIAL EQUIVALENT *of* DISCOUNT RATES

The annual discount rate is shown as the left hand index. If this rate is applied to the total note for the full term and the loan is repaid monthly, then the body of the table shows the actuarial rate of return on the money actually outstanding.

Discount Rate per year	TERM - months 42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
1.00	2.00	2.01	2.03	2.04	2.06	2.08	2.09	2.11	2.13
1.25	2.52	2.54	2.55	2.57	2.60	2.63	2.66	2.68	2.71
1.50	3.04	3.07	3.09	3.11	3.15	3.20	3.24	3.28	3.32
1.75	3.57	3.60	3.63	3.66	3.72	3.78	3.83	3.89	3.95
2.00	4.11	4.15	4.19	4.23	4.30	4.38	4.45	4.53	4.61
2.25	4.65	4.70	4.75	4.80	4.90	4.99	5.09	5.19	5.30
2.50	5.20	5.26	5.32	5.38	5.50	5.63	5.75	5.88	6.02
2.75	5.76	5.83	5.91	5.98	6.13	6.28	6.44	6.60	6.77
3.00	6.32	6.41	6.50	6.59	6.77	6.95	7.15	7.35	7.57
3.25	6.89	7.00	7.11	7.21	7.42	7.65	7.88	8.13	8.40
3.50	7.47	7.60	7.72	7.84	8.10	8.36	8.65	8.95	9.28
3.75	8.06	8.21	8.35	8.49	8.79	9.10	9.44	9.81	10.21
4.00	8.66	8.82	8.99	9.15	9.50	9.87	10.27	10.71	11.20
4.25	9.27	9.45	9.64	9.83	10.23	10.66	11.14	11.66	12.25
4.50	9.88	10.09	10.30	10.52	10.98	11.49	12.04	12.67	13.37
4.75	10.51	10.74	10.98	11.23	11.76	12.34	12.99	13.73	14.57
5.00	11.14	11.40	11.67	11.96	12.56	13.23	13.98	14.85	15.86
5.25	11.78	12.08	12.38	12.70	13.38	14.15	15.02	16.05	17.26
5.50	12.43	12.76	13.10	13.46	14.23	15.11	16.12	17.32	18.77
5.75	13.09	13.46	13.84	14.24	15.11	16.11	17.28	18.69	20.42
6.00	13.77	14.17	14.59	15.04	16.02	17.15	18.51	20.16	22.24
6.25	14.45	14.90	15.36	15.86					
6.50	15.15	15.63	16.15	16.70					
6.75	15.85	16.39	16.96	17.56					
7.00	16.57	17.15	17.78	18.45					
7.25	17.30	17.94	18.62	19.37					
7.50	18.04	18.74	19.49	20.31					
7.75	18.79	19.55	20.38	21.28					
8.00	19.56	20.39	21.29	22.28					
8.25	20.34	21.24	22.22	23.31					
8.50	21.14	22.11	23.18	24.37					
8.75	21.95	23.00	24.17	25.47					
9.00	22.77	23.91	25.18	26.61					
9.25	23.61	24.84	26.22	27.79					
9.50	24.47	25.80	27.29	29.01					
9.75	25.34	26.77	28.40	30.27					
10.00	26.23	27.77	29.53	31.58					
10.25	27.14	28.80	30.71	32.95					
10.50	28.06	29.85	31.92	34.37					
10.75	29.01	30.93	33.17	35.85					
11.00	29.98	32.04	34.47	37.39					
11.25	30.96	33.18	35.81	39.01					
11.50	31.97	34.35	37.20	40.70					
11.75	33.00	35.56	38.64	42.47					
12.00	34.05	36.80	40.13	44.33					
12.25	35.13	38.07	41.69	46.28					
12.50	36.23	39.39	43.31	47.99					
12.75	37.36	40.75	44.99	49.68					

Discount Rate Equivalents *of* Actuarial Rates

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent discount rate to be applied to the total note for the full term.

Annual Actuarial Rate	TERM-months								
	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
4.00	2.65	2.31	2.20	2.13	2.09	2.06	2.02	2.00	1.97
4.25	2.82	2.46	2.33	2.26	2.22	2.19	2.15	2.12	2.09
4.50	2.98	2.60	2.47	2.40	2.35	2.32	2.27	2.23	2.21
4.75	3.15	2.74	2.60	2.53	2.48	2.44	2.39	2.35	2.32
5.00	3.31	2.88	2.74	2.66	2.60	2.57	2.51	2.47	2.44
5.25	3.47	3.03	2.87	2.79	2.73	2.69	2.63	2.59	2.55
5.50	3.64	3.17	3.00	2.92	2.86	2.82	2.75	2.71	2.67
5.75	3.80	3.31	3.14	3.05	2.99	2.94	2.87	2.82	2.78
6.00	3.97	3.45	3.27	3.18	3.11	3.06	2.99	2.94	2.90
6.25	4.13	3.60	3.41	3.30	3.24	3.19	3.11	3.06	3.01
6.50	4.29	3.74	3.54	3.43	3.36	3.31	3.23	3.17	3.12
6.75	4.46	3.88	3.67	3.56	3.49	3.43	3.35	3.29	3.23
7.00	4.62	4.02	3.81	3.69	3.61	3.56	3.47	3.40	3.35
7.25	4.79	4.16	3.94	3.82	3.74	3.68	3.59	3.52	3.46
7.50	4.95	4.30	4.07	3.95	3.86	3.80	3.70	3.63	3.57
7.75	5.11	4.44	4.21	4.07	3.99	3.92	3.82	3.74	3.68
8.00	5.27	4.58	4.34	4.20	4.11	4.04	3.94	3.85	3.79
8.25	5.44	4.73	4.47	4.33	4.23	4.16	4.05	3.97	3.89
8.50	5.60	4.87	4.60	4.46	4.36	4.28	4.17	4.08	4.00
8.75	5.76	5.01	4.73	4.58	4.48	4.40	4.28	4.19	4.11
9.00	5.93	5.15	4.87	4.71	4.60	4.52	4.40	4.30	4.22
9.25	6.09	5.29	5.00	4.84	4.73	4.64	4.51	4.41	4.32
9.50	6.25	5.43	5.13	4.96	4.85	4.76	4.63	4.52	4.43
9.75	6.41	5.57	5.26	5.09	4.97	4.88	4.74	4.63	4.53
10.00	6.58	5.71	5.39	5.21	5.09	5.00	4.85	4.74	4.64
10.50	6.90	5.98	5.65	5.46	5.33	5.23	5.08	4.95	4.85
11.00	7.22	6.26	5.91	5.71	5.57	5.47	5.30	5.17	5.05
11.50	7.55	6.54	6.17	5.96	5.81	5.70	5.52	5.38	5.25
12.00	7.87	6.82	6.43	6.21	6.05	5.93	5.74	5.59	5.46
12.50	8.19	7.09	6.69	6.45	6.29	6.16	5.96	5.80	5.66
13.00	8.51	7.37	6.96	6.70	6.53	6.39	6.18	6.01	5.85
13.50	8.83	7.64	7.20	6.94	6.76	6.62	6.39	6.21	6.05
14.00	9.15	7.92	7.46	7.19	7.00	6.85	6.61	6.41	6.24
14.50	9.48	8.19	7.71	7.43	7.23	7.07	6.82	6.61	6.43
15.00	9.80	8.47	7.97	7.67	7.46	7.30	7.03	6.81	6.62
15.50	10.12	8.74	8.22	7.91	7.70	7.52	7.24	7.01	6.81
16.00	10.43	9.01	8.47	8.15	7.93	7.74	7.45	7.21	7.00
16.50	10.75	9.28	8.72	8.39	8.15	7.96	7.66	7.40	7.18
17.00	11.07	9.55	8.97	8.63	8.38	8.18	7.86	7.60	7.36
17.50	11.39	9.82	9.22	8.87	8.61	8.40	8.07	7.79	7.54
18.00	11.71	10.09	9.47	9.10	8.84	8.62	8.27	7.98	7.72
18.50	12.02	10.36	9.72	9.34	9.06	8.84	8.47	8.17	7.90
19.00	12.34	10.63	9.97	9.57	9.29	9.05	8.67	8.35	8.07
19.50	12.66	10.90	10.22	9.81	9.51	9.27	8.87	8.54	8.25
20.00	12.97	11.17	10.46	10.04	9.73	9.48	9.07	8.72	8.42
20.50	13.29	11.43	10.71	10.27	9.95	9.69	9.26	8.90	8.59
21.00	13. 0	11.70	10.96	10.50	10.17	9.90	9.46	9.09	8.76
21.50	13.92	11.97	11.20	10.73	10.39	10.11	9.65	9.26	8.92
22.00	14.23	12.23	11.44	10.96	10.61	10.32	9.84	9.44	9.09
23.00	14.86	12.76	11.93	11.42	11.04	10.73	10.22	9.79	9.41
24.00	15.48	13.29	12.41	11.87	11.47	11.14	10.60	10.14	9.73
25.00	16.11	13.81	12.89	12.32	11.90	11.55	10.97	10.48	10.05

Discount Rate Equivalents *of* Actuarial Rates

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent discount rate to be applied to the total note for the full term.

Annual Actuarial Rate	TERM-months								
	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
4.00	1.95	1.93	1.92	1.90	1.87	1.84	1.82	1.79	1.77
4.25	2.07	2.05	2.03	2.01	1.98	1.95	1.92	1.89	1.86
4.50	2.18	2.16	2.14	2.12	2.08	2.05	2.02	1.99	1.96
4.75	2.30	2.27	2.25	2.23	2.19	2.15	2.12	2.08	2.05
5.00	2.41	2.38	2.36	2.34	2.29	2.25	2.21	2.18	2.14
5.25	2.52	2.49	2.47	2.44	2.40	2.35	2.31	2.27	2.23
5.50	2.64	2.60	2.58	2.55	2.50	2.45	2.41	2.36	2.32
5.75	2.75	2.71	2.68	2.65	2.60	2.55	2.50	2.45	2.41
6.00	2.86	2.82	2.79	2.76	2.70	2.64	2.59	2.54	2.49
6.25	2.97	2.93	2.90	2.86	2.80	2.74	2.68	2.63	2.58
6.50	3.08	3.04	3.00	2.96	2.90	2.83	2.77	2.72	2.66
6.75	3.19	3.14	3.10	3.07	2.99	2.93	2.86	2.80	2.74
7.00	3.30	3.25	3.21	3.17	3.09	3.02	2.95	2.88	2.82
7.25	3.40	3.35	3.31	3.27	3.18	3.11	3.04	2.97	2.90
7.50	3.51	3.46	3.41	3.36	3.28	3.20	3.12	3.05	2.98
7.75	3.62	3.56	3.51	3.46	3.37	3.29	3.21	3.13	3.06
8.00	3.72	3.67	3.61	3.56	3.46	3.37	3.29	3.21	3.13
8.25	3.83	3.77	3.71	3.66	3.56	3.46	3.37	3.29	3.21
8.50	3.93	3.87	3.81	3.75	3.65	3.55	3.45	3.36	3.28
8.75	4.04	3.97	3.91	3.85	3.74	3.63	3.53	3.44	3.35
9.00	4.14	4.07	4.00	3.94	3.82	3.72	3.61	3.51	3.42
9.25	4.24	4.17	4.10	4.04	3.91	3.80	3.69	3.59	3.49
9.50	4.35	4.27	4.20	4.13	4.00	3.88	3.77	3.66	3.56
9.75	4.45	4.37	4.29	4.22	4.09	3.96	3.84	3.73	3.63
10.00	4.55	4.46	4.39	4.31	4.17	4.04	3.92	3.80	3.69
10.50	4.75	4.66	4.57	4.49	4.34	4.20	4.07	3.94	3.82
11.00	4.95	4.85	4.76	4.67	4.51	4.35	4.21	4.08	3.95
11.50	5.14	5.04	4.94	4.84	4.67	4.50	4.35	4.21	4.07
12.00	5.33	5.22	5.12	5.01	4.83	4.65	4.49	4.34	4.19
12.50	5.53	5.41	5.29	5.18	4.98	4.80	4.62	4.46	4.31
13.00	5.71	5.59	5.46	5.35	5.14	4.94	4.75	4.58	4.42
13.50	5.90	5.76	5.64	5.51	5.29	5.08	4.88	4.70	4.53
14.00	6.09	5.94	5.80	5.67	5.43	5.21	5.00	4.81	4.63
14.50	6.27	6.11	5.97	5.83	5.58	5.34	5.13	4.92	4.74
15.00	6.45	6.29	6.13	5.99	5.72	5.47	5.24	5.03	4.83
15.50	6.63	6.46	6.29	6.14	5.86	5.60	5.36	5.14	4.93
16.00	6.80	6.62	6.45	6.29	6.00	5.72	5.47	5.24	5.03
16.50	6.98	6.79	6.61	6.44	6.13	5.84	5.58	5.34	5.12
17.00	7.15	6.95	6.76	6.59	6.26	5.96	5.69	5.44	5.21
17.50	7.32	7.11	6.92	6.73	6.39	6.08	5.80	5.53	5.29
18.00	7.49	7.27	7.07	6.87	6.52	6.19	5.90	5.63	5.38
18.50	7.65	7.43	7.21	7.01	6.64	6.31	6.00	5.72	5.46
19.00	7.82	7.58	7.36	7.15	6.76	6.42	6.10	5.80	5.54
19.50	7.98	7.73	7.50	7.29	6.88	6.52	6.19	5.89	5.61
20.00	8.14	7.88	7.64	7.42	7.00	6.63	6.29	5.97	5.69
20.50	8.30	8.03	7.78	7.55	7.12	6.73	6.38	6.06	5.76
21.00	8.46	8.18	7.92	7.68	7.23	6.83	6.47	6.13	5.83
21.50	8.61	8.33	8.06	7.81	7.34	6.93	6.55	6.21	5.90
22.00	8.77	8.47	8.19	7.93	7.45	7.03	6.64	6.29	5.97
23.00	9.07	8.75	8.45	8.18	7.67	7.21	6.80	6.43	6.10
24.00	9.36	9.02	8.71	8.41	7.87	7.39	6.96	6.57	6.22
25.00	9.65	9.29	8.96	8.64	8.07	7.57	7.11	6.71	6.34

Actuarial Equivalents *of* Constant Ratio

A plan frequently followed is to use a discount rate for a 12-month loan, then from this determine the ratio of charge to *average* outstanding balance for the 12-month loan, and apply this same ratio for other terms (hence the name "constant ratio" plan). However, the use of an

1 year Discount Rate	TERM - months								
	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
1.00	1.86	1.86	1.86	1.86	1.86	1.86	1.85	1.85	1.85
2.00	3.76	3.76	3.75	3.75	3.74	3.73	3.72	3.71	3.70
3.00	5.70	5.69	5.67	5.66	5.65	5.63	5.61	5.58	5.56
3.50	6.68	6.67	6.65	6.63	6.61	6.59	6.56	6.52	6.49
4.00	7.68	7.65	7.63	7.60	7.58	7.56	7.51	7.47	7.43
4.25	8.18	8.15	8.12	8.09	8.07	8.04	7.99	7.94	7.89
4.50	8.68	8.65	8.62	8.59	8.56	8.53	8.47	8.42	8.36
4.75	9.18	9.15	9.11	9.08	9.05	9.02	8.95	8.89	8.83
5.00	9.69	9.65	9.61	9.58	9.54	9.50	9.43	9.37	9.30
5.25	10.20	10.16	10.12	10.07	10.03	9.99	9.92	9.84	9.77
5.50	10.71	10.67	10.62	10.57	10.53	10.49	10.40	10.32	10.24
5.75	11.23	11.18	11.13	11.08	11.03	10.98	10.89	10.80	10.71
6.00	11.75	11.69	11.63	11.58	11.53	11.47	11.37	11.27	11.18
6.25	12.27	12.20	12.14	12.09	12.03	11.97	11.86	11.75	11.65
6.50	12.79	12.72	12.66	12.59	12.53	12.47	12.35	12.24	12.12
6.75	13.31	13.24	13.17	13.10	13.04	12.97	12.84	12.72	12.60
7.00	13.84	13.76	13.69	13.61	13.54	13.47	13.33	13.20	13.07
7.25	14.37	14.29	14.21	14.13	14.05	13.97	13.82	13.68	13.55
7.50	14.91	14.82	14.73	14.64	14.56	14.48	14.32	14.17	14.02
7.75	15.44	15.35	15.25	15.16	15.07	14.98	14.81	14.65	14.50
8.00	15.98	15.88	15.78	15.68	15.58	15.49	15.31	15.14	14.97
8.25	16.52	16.41	16.31	16.20	16.10	16.00	15.81	15.63	15.45
8.50	17.07	16.95	16.84	16.73	16.62	16.51	16.31	16.11	15.93
8.75	17.62	17.49	17.37	17.25	17.14	17.02	16.81	16.60	16.41
9.00	18.17	18.03	17.91	17.78	17.66	17.54	17.31	17.09	16.89
9.25	18.72	18.58	18.44	18.31	18.18	18.05	17.81	17.58	17.37
9.50	19.28	19.13	18.98	18.84	18.71	18.57	18.32	18.08	17.85
9.75	19.84	19.68	19.52	19.38	19.23	19.09	18.82	18.57	18.33
10.00	20.40	20.23	20.07	19.91	19.76	19.61	19.33	19.07	18.81
10.25	20.96	20.79	20.62	20.45	20.29	20.14	19.84	19.56	19.30
10.50	21.53	21.35	21.17	20.99	20.82	20.66	20.35	20.06	19.78
10.75	22.10	21.91	21.72	21.53	21.36	21.19	20.86	20.56	20.27
11.00	22.68	22.47	22.27	22.08	21.90	21.72	21.38	21.06	20.75
11.25	23.25	23.04	22.83	22.63	22.43	22.25	21.89	21.56	21.24
11.50	23.83	23.61	23.39	23.18	22.97	22.78	22.41	22.06	21.73
11.75	24.42	24.18	23.95	23.73	23.52	23.31	22.92	22.56	22.22
12.00	25.00	24.75	24.51	24.28	24.06	23.85	23.44	23.06	22.71
12.25	25.59	25.33	25.08	24.84	24.61	24.39	23.96	23.57	23.20
12.50	26.19	25.91	25.65	25.40	25.16	24.93	24.49	24.08	23.69
12.75	26.78	26.50	26.22	25.96	25.71	25.47	25.01	24.58	24.19
13.00	27.38	27.08	26.80	26.52	26.26	26.01	25.53	25.09	24.68
13.25	27.98	27.67	27.38	27.09	26.82	26.56	26.06	25.60	25.18
13.50	28.59	28.26	27.96	27.66	27.37	27.10	26.59	26.11	25.67
13.75	29.20	28.86	28.54	28.23	27.93	27.65	27.12	26.63	26.17
14.00	29.81	29.46	29.12	28.80	28.50	28.20	27.65	27.14	26.67
14.50	31.04	30.66	30.30	29.96	29.63	29.31	28.72	28.17	27.67
15.00	32.29	31.88	31.49	31.12	30.77	30.43	29.79	29.21	28.68
15.50	33.56	33.09	32.69	32.29	31.91	31.55	30.88	30.26	29.69
16.00	34.84	34.36	33.91	33.48	33.07	32.69	31.96	31.31	30.70
16.50	36.12	35.61	35.13	34.67	34.24	33.83	33.06	32.36	31.72

Actuarial Equivalents *of* Constant Ratio

average really assumes that there is the same interest and the same principal in each installment, which is an over-simplification. The table shows the true actuarial rate on outstanding funds.

1 year Discount Rate	TERM - months								
	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
1.00	1.85	1.84	1.84	1.84	1.83	1.83	1.82	1.82	1.81
2.00	3.69	3.68	3.67	3.66	3.64	3.62	3.60	3.58	3.56
3.00	5.54	5.51	5.49	5.47	5.42	5.38	5.34	5.30	5.26
3.50	6.46	6.43	6.40	6.37	6.31	6.25	6.19	6.14	6.09
4.00	7.38	7.34	7.30	7.26	7.19	7.11	7.04	6.98	6.91
4.25	7.85	7.80	7.75	7.71	7.62	7.54	7.47	7.39	7.32
4.50	8.31	8.26	8.21	8.16	8.06	7.97	7.89	7.80	7.73
4.75	8.77	8.71	8.66	8.60	8.50	8.40	8.31	8.22	8.13
5.00	9.23	9.17	9.11	9.05	8.94	8.83	8.72	8.63	8.53
5.25	9.70	9.63	9.56	9.50	9.37	9.25	9.14	9.03	8.93
5.50	10.16	10.09	10.01	9.94	9.81	9.68	9.56	9.44	9.33
5.75	10.62	10.54	10.46	10.39	10.24	10.10	9.97	9.85	9.73
6.00	11.09	11.00	10.91	10.83	10.67	10.52	10.38	10.25	10.12
6.25	11.55	11.46	11.37	11.28	11.11	10.95	10.80	10.65	10.52
6.50	12.02	11.92	11.82	11.72	11.54	11.37	11.21	11.06	10.91
6.75	12.48	12.37	12.27	12.16	11.97	11.79	11.62	11.46	11.30
7.00	12.95	12.83	12.72	12.61	12.40	12.21	12.03	11.86	11.70
7.25	13.42	13.29	13.17	13.05	12.83	12.63	12.43	12.25	12.09
7.50	13.88	13.75	13.62	13.50	13.26	13.04	12.84	12.65	12.47
7.75	14.35	14.21	14.07	13.94	13.69	13.46	13.25	13.05	12.86
8.00	14.82	14.67	14.52	14.38	14.12	13.88	13.65	13.44	13.25
8.25	15.28	15.13	14.97	14.83	14.55	14.30	14.06	13.84	13.63
8.50	15.75	15.58	15.42	15.27	14.98	14.71	14.46	14.23	14.02
8.75	16.22	16.04	15.88	15.71	15.41	15.13	14.87	14.63	14.40
9.00	16.69	16.51	16.33	16.16	15.84	15.54	15.27	15.02	14.79
9.25	17.16	16.97	16.78	16.60	16.27	15.96	15.68	15.42	15.17
9.50	17.63	17.43	17.23	17.04	16.69	16.37	16.08	15.81	15.56
9.75	18.10	17.89	17.68	17.49	17.12	16.79	16.48	16.20	15.94
10.00	18.58	18.35	18.14	17.93	17.55	17.20	16.88	16.59	16.32
10.25	19.05	18.81	18.59	18.38	17.98	17.62	17.29	16.98	16.70
10.50	19.52	19.28	19.04	18.82	18.41	18.03	17.69	17.37	17.08
10.75	20.00	19.74	19.50	19.26	18.84	18.45	18.09	17.77	17.47
11.00	20.47	20.20	19.95	19.71	19.26	18.86	18.49	18.16	17.85
11.25	20.95	20.67	20.40	20.15	19.69	19.27	18.89	18.55	18.23
11.50	21.42	21.13	20.86	20.60	20.12	19.69	19.30	18.94	18.61
11.75	21.90	21.60	21.31	21.05	20.55	20.10	19.70	19.33	18.99
12.00	22.38	22.07	21.77	21.49	20.98	20.52	20.10	19.72	19.37
12.25	22.86	22.53	22.23	21.94	21.41	20.93	20.50	20.11	19.75
12.50	23.34	23.00	22.68	22.39	21.84	21.35	20.90	20.50	20.13
12.75	23.82	23.47	23.14	22.83	22.27	21.76	21.31	20.89	20.51
13.00	24.30	23.94	23.60	23.28	22.70	22.18	21.71	21.28	20.90
13.25	24.78	24.41	24.06	23.73	23.13	22.59	22.11	21.67	21.28
13.50	25.26	24.88	24.52	24.18	23.56	23.01	22.51	22.07	21.66
13.75	25.75	25.35	24.98	24.63	23.99	23.43	22.92	22.46	22.04
14.00	26.23	25.82	25.44	25.08	24.42	23.84	23.32	22.85	22.43
14.50	27.20	26.77	26.36	25.98	25.29	24.68	24.13	23.64	23.19
15.00	28.18	27.72	27.29	26.89	26.16	25.51	24.94	24.43	23.96
15.50	29.16	28.67	28.22	27.79	27.03	26.35	25.75	25.22	24.73
16.00	30.14	29.63	29.15	28.71	27.90	27.19	26.57	26.01	25.51
16.50	31.13	30.59	30.09	29.62	28.78	28.04	27.39	26.80	26.28

Constant Ratio Rate Equivalents *of* Actuarial Rates

The actuarial interest rate in the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent 1 Year Discount Rate to be applied on the constant ratio plan.

TERM-months

Annual Actuarial Rate	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
4.00	2.12	2.13	2.13	2.13	2.14	2.14	2.15	2.15	2.16
4.25	2.25	2.26	2.26	2.26	2.27	2.27	2.28	2.29	2.30
4.50	2.38	2.39	2.39	2.40	2.40	2.40	2.41	2.42	2.43
4.75	2.51	2.52	2.52	2.53	2.53	2.54	2.55	2.56	2.56
5.00	2.64	2.65	2.65	2.66	2.66	2.67	2.68	2.69	2.70
5.25	2.77	2.77	2.78	2.79	2.79	2.80	2.81	2.82	2.83
5.50	2.90	2.90	2.91	2.92	2.92	2.93	2.94	2.95	2.97
5.75	3.03	3.03	3.04	3.05	3.05	3.06	3.07	3.09	3.10
6.00	3.15	3.16	3.17	3.18	3.18	3.19	3.21	3.22	3.24
6.25	3.28	3.29	3.30	3.30	3.31	3.32	3.34	3.35	3.37
6.50	3.41	3.42	3.43	3.43	3.44	3.45	3.47	3.49	3.50
6.75	3.53	3.54	3.55	3.56	3.57	3.58	3.60	3.62	3.64
7.00	3.66	3.67	3.68	3.69	3.70	3.71	3.73	3.75	3.77
7.25	3.79	3.80	3.81	3.82	3.83	3.84	3.86	3.88	3.91
7.50	3.91	3.92	3.94	3.95	3.96	3.97	3.99	4.02	4.04
7.75	4.04	4.05	4.06	4.07	4.09	4.10	4.12	4.15	4.17
8.00	4.16	4.18	4.19	4.20	4.22	4.23	4.25	4.28	4.31
8.25	4.29	4.30	4.31	4.33	4.34	4.36	4.38	4.41	4.44
8.50	4.41	4.43	4.44	4.46	4.47	4.49	4.52	4.54	4.57
8.75	4.54	4.55	4.57	4.58	4.60	4.61	4.65	4.68	4.71
9.00	4.66	4.68	4.69	4.71	4.73	4.74	4.78	4.81	4.84
9.25	4.78	4.80	4.82	4.84	4.85	4.87	4.90	4.94	4.97
9.50	4.91	4.92	4.94	4.96	4.98	5.00	5.03	5.07	5.11
9.75	5.03	5.05	5.07	5.09	5.11	5.13	5.16	5.20	5.24
10.00	5.15	5.17	5.19	5.21	5.23	5.25	5.29	5.33	5.37
10.50	5.40	5.42	5.44	5.46	5.48	5.51	5.55	5.60	5.64
11.00	5.64	5.66	5.69	5.71	5.74	5.76	5.81	5.86	5.90
11.50	5.88	5.91	5.93	5.96	5.99	6.01	6.07	6.12	6.17
12.00	6.12	6.15	6.18	6.21	6.24	6.26	6.32	6.38	6.43
12.50	6.36	6.39	6.42	6.45	6.48	6.52	6.58	6.64	6.70
13.00	6.60	6.63	6.67	6.70	6.73	6.77	6.83	6.90	6.96
13.50	6.84	6.87	6.91	6.94	6.98	7.01	7.09	7.16	7.23
14.00	7.07	7.11	7.15	7.19	7.23	7.26	7.34	7.41	7.49
14.50	7.31	7.35	7.39	7.43	7.47	7.51	7.59	7.67	7.75
15.00	7.54	7.59	7.63	7.67	7.72	7.76	7.84	7.93	8.01
15.50	7.78	7.82	7.87	7.91	7.96	8.00	8.10	8.19	8.28
16.00	8.01	8.06	8.10	8.15	8.20	8.25	8.35	8.44	8.54
16.50	8.24	8.29	8.34	8.39	8.44	8.49	8.60	8.70	8.80
17.00	8.47	8.52	8.58	8.63	8.68	8.74	8.85	8.95	9.06
17.50	8.70	8.75	8.81	8.87	8.92	8.98	9.09	9.21	9.32
18.00	8.92	8.98	9.04	9.10	9.16	9.22	9.34	9.46	9.58
18.50	9.15	9.21	9.28	9.34	9.40	9.47	9.59	9.72	9.84
19.00	9.38	9.44	9.50	9.57	9.64	9.71	9.84	9.97	10.10
19.50	9.60	9.67	9.74	9.81	9.88	9.95	10.08	10.22	10.35
20.00	9.82	9.90	9.97	10.04	10.11	10.18	10.33	10.47	10.61
20.50	10.05	10.12	10.20	10.27	10.35	10.42	10.57	10.72	10.87
21.00	10.27	10.35	10.42	10.50	10.58	10.66	10.82	10.97	11.13
21.50	10.49	10.57	10.65	10.73	10.82	10.90	11.06	11.22	11.38
22.00	10.71	10.79	10.88	10.96	11.05	11.13	11.30	11.48	11.64
23.00	11.14	11.23	11.33	11.42	11.51	11.60	11.79	11.97	12.15
24.00	11.57	11.67	11.77	11.87	11.97	12.07	12.27	12.46	12.66
25.00	12.00	12.11	12.21	12.32	12.43	12.53	12.75	12.95	13.16

Constant Ratio Rate Equivalents *of* Actuarial Rates

The actuarial interest rate in the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent 1 Year Discount Rate to be applied on the constant ratio plan.

TERM-months

Annual Actuarial Rate	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
4.00	2.17	2.17	2.18	2.19	2.20	2.22	2.23	2.24	2.26
4.25	2.30	2.31	2.32	2.33	2.34	2.36	2.37	2.39	2.40
4.50	2.44	2.45	2.46	2.46	2.48	2.50	2.52	2.53	2.55
4.75	2.57	2.58	2.59	2.60	2.62	2.64	2.66	2.68	2.70
5.00	2.71	2.72	2.73	2.74	2.76	2.78	2.81	2.83	2.85
5.25	2.85	2.86	2.87	2.88	2.90	2.93	2.95	2.97	3.00
5.50	2.98	2.99	3.01	3.02	3.04	3.07	3.10	3.12	3.15
5.75	3.12	3.13	3.14	3.16	3.19	3.21	3.24	3.27	3.30
6.00	3.25	3.27	3.28	3.30	3.33	3.36	3.39	3.42	3.45
6.25	3.39	3.40	3.42	3.44	3.47	3.50	3.53	3.57	3.60
6.50	3.52	3.54	3.56	3.57	3.61	3.65	3.68	3.71	3.75
6.75	3.66	3.68	3.70	3.71	3.75	3.79	3.83	3.86	3.90
7.00	3.79	3.81	3.83	3.85	3.89	3.93	3.97	4.01	4.05
7.25	3.93	3.95	3.97	3.99	4.04	4.08	4.12	4.16	4.21
7.50	4.06	4.09	4.11	4.13	4.18	4.22	4.27	4.32	4.36
7.75	4.20	4.22	4.25	4.27	4.32	4.37	4.42	4.47	4.52
8.00	4.33	4.36	4.39	4.41	4.46	4.52	4.57	4.62	4.67
8.25	4.47	4.50	4.52	4.55	4.61	4.66	4.72	4.77	4.82
8.50	4.60	4.63	4.66	4.69	4.75	4.81	4.87	4.92	4.98
8.75	4.74	4.77	4.80	4.83	4.89	4.95	5.02	5.08	5.14
9.00	4.87	4.91	4.94	4.97	5.04	5.10	5.17	5.23	5.29
9.25	5.01	5.04	5.08	5.11	5.18	5.25	5.32	5.38	5.45
9.50	5.14	5.18	5.22	5.25	5.32	5.40	5.47	5.54	5.61
9.75	5.28	5.32	5.35	5.39	5.47	5.54	5.62	5.69	5.76
10.00	5.41	5.45	5.49	5.53	5.61	5.69	5.77	5.84	5.92
10.50	5.68	5.73	5.77	5.81	5.90	5.99	6.07	6.15	6.24
11.00	5.95	6.00	6.05	6.09	6.19	6.28	6.37	6.47	6.56
11.50	6.22	6.27	6.32	6.38	6.48	6.58	6.68	6.78	6.87
12.00	6.49	6.55	6.60	6.66	6.77	6.88	6.98	7.09	7.20
12.50	6.76	6.82	6.88	6.94	7.06	7.17	7.29	7.40	7.52
13.00	7.03	7.09	7.16	7.22	7.35	7.47	7.60	7.72	7.84
13.50	7.30	7.36	7.43	7.50	7.64	7.77	7.90	8.04	8.16
14.00	7.56	7.64	7.71	7.78	7.93	8.07	8.21	8.35	8.49
14.50	7.83	7.91	7.99	8.07	8.22	8.37	8.52	8.67	8.81
15.00	8.10	8.18	8.27	8.35	8.51	8.67	8.83	8.99	9.14
15.50	8.36	8.45	8.54	8.63	8.80	8.97	9.14	9.30	9.46
16.00	8.63	8.73	8.82	8.91	9.09	9.27	9.45	9.62	9.79
16.50	8.90	9.00	9.10	9.19	9.39	9.58	9.76	9.94	10.12
17.00	9.16	9.27	9.37	9.48	9.68	9.88	10.07	10.26	10.44
17.50	9.43	9.54	9.65	9.76	9.97	10.18	10.38	10.58	10.77
18.00	9.69	9.81	9.93	10.04	10.26	10.48	10.69	10.90	11.10
18.50	9.96	10.08	10.20	10.32	10.55	10.78	11.00	11.22	11.43
19.00	10.22	10.35	10.48	10.60	10.85	11.08	11.32	11.54	11.76
19.50	10.49	10.62	10.75	10.88	11.14	11.39	11.63	11.86	12.08
20.00	10.75	10.89	11.03	11.16	11.43	11.69	11.94	12.18	12.41
20.50	11.02	11.16	11.30	11.44	11.72	11.99	12.25	12.50	12.74
21.00	11.28	11.43	11.58	11.72	12.01	12.29	12.56	12.82	13.07
21.50	11.54	11.70	11.85	12.00	12.30	12.59	12.87	13.14	13.40
22.00	11.80	11.97	12.13	12.28	12.59	12.89	13.18	13.46	13.72
23.00	12.33	12.50	12.67	12.84	13.17	13.50	13.80	14.09	14.37
24.00	12.85	13.03	13.22	13.40	13.75	14.09	14.42	14.73	15.03
25.00	13.36	13.57	13.76	13.96	14.33	14.69	15.04	15.36	15.67

WHAT is an ACTUARIAL INTEREST RATE?

The actuarial interest rate is the rate, usually applied monthly, which could be charged on outstanding declining balances, and still permit the loan to be paid off in the same term and with the same monthly payment.

Here is an actual example of a $1000 loan at 6% "add-on" for 2 years where the charge is $120, with monthly payments of $46.67. All of the calculation of interest in this amortization schedule are made at the actuarial interest rate of 11.13% shown in this booklet.

	RATE %	PAYMENT $	LOAN $
	11.130	46.67	1,000.00

Prepared by Financial Publishing Company, Boston

PAYMENT NUMBER	PAYMENT ON INTEREST	PAYMENT ON PRINCIPAL	BALANCE OF LOAN
			1,000.00
1	9.28	37.39	962.61
2	8.93	37.74	924.87
3	8.58	38.09	886.78
4	8.22	38.45	848.33
5	7.87	38.80	809.53
6	7.51	39.16	770.37
7	7.15	39.52	730.85
8	6.78	39.89	690.96
9	6.41	40.26	650.70
10	6.04	40.63	610.07
11	5.66	41.01	569.06
12	5.28	41.39	527.67
13	4.89	41.78	485.89
14	4.51	42.16	443.73
15	4.12	42.55	401.18
16	3.72	42.95	358.23
17	3.32	43.35	314.88
18	2.92	43.75	271.13
19	2.51	44.16	226.97
20	2.11	44.56	182.41
21	1.69	44.98	137.43
22	1.27	45.40	92.03
23	.85	45.82	46.21
24	.43	46.21	46.64*

* final payment

The interest rate of 11.13% is thus shown to be an accurate statement of the cost of this loan. The use of an "average" term or balance will produce an approximation frequently satisfactory for short terms and small amounts, but 11.13% is the correct figure.

Incidentally, Financial Publishing Company is prepared to supply a complete amortization schedule like this one, but computed for the loan figures you specify, and the cost is just $1 for the schedule. Send for a supply of imprinted order cards. There is of course no charge to you until you need and order a schedule.

CALCULATION of MONTHLY EARNINGS

This booklet tells you the actuarial interest rate on a loan, but in most consumer finance the charge is stated in dollars and the interest rate is not actually used in accounting for the loan. The prevailing method is the so-called 78's or sum of the digits method. Specifically, this method is prescribed by law in many states for rebate of unearned charge at prepayment.

Here is the earnings and amortization schedule for the same loan illustrated on the opposite page, $1000, 24 months, charge $120.

	Term	Payment	Loan	Discount	Note
	24	46.67	1,000.00	120.00	1,120.00

Prepared by Financial Publishing Company, Boston

Payment Number	Interest	Principal	Balance of Loan	Unearned Discount	Balance of Note
			1,000.00	120.00	1,120.00
1	9.60	37.07	962.93	110.40	1,073.33
2	9.20	37.47	925.46	101.20	1,026.66
3	8.80	37.87	887.59	92.40	979.99
4	8.40	38.27	849.32	84.00	933.32
5	8.00	38.67	810.65	76.00	886.65
6	7.60	39.07	771.58	68.40	839.98
7	7.20	39.47	732.11	61.20	793.31
8	6.80	39.87	692.24	54.40	746.64
9	6.40	40.27	651.97	48.00	699.97
10	6.00	40.67	611.30	42.00	653.30
11	5.60	41.07	570.23	36.40	606.63
12	5.20	41.47	528.76	31.20	559.96
13	4.80	41.87	486.89	26.40	513.29
14	4.40	42.27	444.62	22.00	466.62
15	4.00	42.67	401.95	18.00	419.95
16	3.60	43.07	358.88	14.40	373.28
17	3.20	43.47	315.41	11.20	326.61
18	2.80	43.87	271.54	8.40	279.94
19	2.40	44.27	227.27	6.00	233.27
20	2.00	44.67	182.60	4.00	186.60
21	1.60	45.07	137.53	2.40	139.93
22	1.20	45.47	92.06	1.20	93.26
23	.80	45.87	46.19	.40	46.59
24	.40	46.19			

There is no interest rate used in the preparation of this schedule. The distribution is in proportion to the number of *units* of loan outstanding each month.

Schedules like this will be prepared by Financial Publishing Company for $1. When such a schedule is prepared no further calculations are necessary and each schedule should save you more than the $1 it costs. Send for a supply of order cards for 78's type schedules, imprinted with your name and address, ready for use when you need such a schedule.

ABOUT RATE CHARTS

There is almost endless variety in finance rate charts, and we can compute and supply any of them. More constructive at this point is to describe charts which are standard, and on our shelves ready for prompt shipment.

The size is the same size as this book. The standard terms are 12-18-24-30-36 months. The standard amounts are $100 to $3000 by $20 intervals, and adjusting entries. There are 3 styles depending on whether credit Life Insurance, or Accident and Health Insurance is included.

"UNIFORM CHARTS" show only the total note and monthly payment. Cost is $5 for 100 copies.

"ITEMIZED CHARTS" are designed for use where credit life insurance is included, and shows both the life premium and charge itemized. Cost is $12 for 100 copies.

"INSURED CHARTS" include both credit Life and A&H insurance. Cost is $30 for 100 copies.

THESE CHARTS ARE CARRIED IN STOCK FOR A LARGE NUMBER OF RATES. THEY ARE OFFERED FOR ANY CHARGE RATE, ANY CREDIT LIFE RATE AND ANY A&H RATE. IF WE DO NOT HAVE THEM WE WILL MAKE THEM FAST ON AN ORDER FOR 100 OR MORE COPIES AT THE QUOTED PRICE.

NOTE: where longer terms are needed a second unit from 42 to 60 months, amounts $500 to $3500 can be supplied at the same prices.

UNIFORM MONTHLY PAYMENT CHARTS

4-page unit, punched for looseleaf.

FINANCIAL UNIFORM MONTHLY PAYMENTS

	12 MONTHS		18 MONTHS		24 MONTHS		30 MONTHS	
Bal.	Note	Pay't.	Note	Pay't.	Note	Pay't.	Note	Pay't.
800	857.04	71.42	886.32	49.24	916.32	38.18	947.10	31.57
820	878.40	73.20	908.64	50.48	939.36	39.14	970.80	32.36
840	899.88	74.99	930.78	51.71	962.16	40.09	994.50	33.15
860	921.36	76.78	952.92	52.94	985.20	41.05	1018.20	33.94
880	942.72	78.56	975.06	54.17	1008.00	42.00	1041.90	34.73

ITEMIZED MONTHLY PAYMENT CHARTS

with credit life insurance and charge itemized 8-page unit, stapled and punched for looseleaf.

FINANCIAL ITEMIZED MONTHLY PAYMENTS

	12 MONTHS				18 MONTHS			
Bal.	Life Ins.	Charge	Note	Pay't.	Life Ins.	Charge	Note	Pay't.
1900	20.36	115.20	2035.56	169.63	31.58	173.70	2105.28	116.96
1920	20.57	116.35	2056.92	171.41	31.91	175.51	2127.42	118.19
1940	20.78	117.62	2078.40	173.20	32.25	177.49	2149.74	119.43
1960	21.00	118.76	2099.76	174.98	32.58	179.30	2171.88	120.66
1980	21.21	120.03	2121.24	176.77	32.91	181.11	2194.02	121.89

INSURED MONTHLY PAYMENT CHARTS

with both credit life insurance and A&H insurance.

FINANCIAL INSURED MONTHLY PAYMENTS

12 MONTHS

UNP BAL	LIFE PREM	A&H PREM	TOTAL PREM	AMOUNT FINANCED	FINANCE CHARGE	NOTE	PAYT
700	7.68	16.90	24.58	724.58	43.42	768.00	64.00
720	7.90	17.38	25.28	745.28	44.68	789.96	65.83
740	8.12	17.86	25.98	765.98	45.94	811.92	67.66
760	8.34	18.35	26.69	786.69	47.19	833.88	69.49
780	8.56	18.83	27.39	807.39	48.33	855.72	71.31

SUMMARY *of* AUTO FINANCE *and* OTHER GOODS LAWS

(*all rates are add-on unless otherwise designated*)

(*continued from page 2*)

MISS.:	Autos, Class I, 7%; Class II, 10%; Class III, 13%; Class IV, 15%. Minimum $25.
MO.:	All goods: 12% on first $300, 10% on excess to $1000, 8% on excess over $1000. Minimum $12.
MONT.:	Autos, Class I, 7%; Class II, 9%; Class III, 11%. Other Goods: 11% on first $300, 9% on excess to $1000, 7% on excess over $1000. Minimum $20.
NEB.:	Autos, Class I, 8%; Class II, 10%; Class III, 13%; Class IV, 15%. Other Goods: 12% on first $500, 10% on excess to $1000, 8% on excess.
NEVADA:	Autos, 12%. Minimum $25.
N. H.:	Autos, Class I, 7%; Class II, 9%; Class III, 12%. Minimum $25.
N. M.:	Autos, Class I, 8%; Class II, 10%; Class III, 12%; Class IV, 14%. Minimum $25. Other Goods, requires disclosure.
N. J.:	Autos, Class I, 7%; Class II, 10%; Class III, 13%. Other Goods, 10%. Minimum 8 months or less, $10; over 8 months, $12.
N. Y.:	Autos, Class I, 7%; Class II, 10%; Class III, 13%. (Finance Charge on any insurance 7%. regardless of Class.) Other Goods: 10% on first $500, 8% on excess. Minimum 8 months or less $10; over, $12.
N. D.:	Autos, Class I, 7%; Class II, 10%; Class III, 13%. Other Goods, 10%.
OHIO:	All Goods: 8% plus 50¢ per month on first $50 of loan, plus 25¢ per month each on next 5 units of $50. Minimum $15.
OREGON:	Autos, Class I, 8%; Class II, 10%; Class III, 12%. Minimum $25.
PENNA.:	Autos, Class I, 6%; Class II, 9%; Class III, 12%. Minimum $10.
S. D.:	Autos, Class I, 15% actuarial: Class II, 18% actuarial; Class III, 27% actuarial. All computed for 1 year, converted to add-on, and applied pro rata. Minimum $20.
TENN.:	All Goods: 10% on first $500, 8% on excess to $5000, 6% on excess. Minimum $12.50.
UTAH:	All Goods, 12%. Minimum $5 except Autos $15.
VERMONT:	Autos, Class I, 7%; Class II, 9%; Class III, 11%. Minimum $25.
WIS.:	Autos, Class I, 7%; Class II, 9%; Class III, 12%; Class IV, 15%. Minimum $15.

The Royal Bank of Canada



To answer some of your questions about termPlan loans:

Because we believe you should know exactly what is involved in a loan, here are the answers to some of the most frequently asked questions.

Q. *What is "Finance in Advance"?*

A. Sometimes there is a distinct advantage in being able to pay for a purchase in cash. When buying a car, for example, you may be able to make a better deal if you can pay cash. With a termPlan loan you arrange with the Royal to have your money ready when you need it—and *then* do your car shopping.

Q. *Why do I save money with a termPlan loan?*

A. The cost of a termPlan loan is less than the cost of a similar loan from many other lending institutions. Charges are pre-calculated, and spread out over the term of your loan, so that you pay equal installments each month.

Q. *Can anybody apply for a termPlan loan?*

A. Any responsible person. You needn't be a Royal Bank depositor. If you can show that you need the money for a reasonable purpose and can pay it back within an agreed time, a termPlan loan is available to you.

Q. *Is a termPlan loan only for large purchases, such as an automobile?*

A. Not necessarily. While most borrowers need the money for a car, furniture, home improvements and the like, others find a termPlan loan a good way to pay large medical bills, vacation costs or other heavy expenditures.

Q. *How much can I borrow?*

A. Whatever you need, up to $3,600.

Q. *How soon must a loan be repaid?*

A. Most loans are for periods of 12 to 24 months, though some are shorter-term and others extend to 36 months. It depends on the amount of your loan, the purpose for which you need it, and what you can pay each month without undue worry or inconvenience.

Q. *How complicated is it, and what do I need for security?*

A. We like to keep things as simple as possible, and most loans are made without security or endorsers. We need to know something about the source and amount of your income, your financial position, etc. But this can usually be covered in one brief interview, and the loan arranged quickly . . . sometimes in less than 24 hours.



Q. *What happens if I should die before my loan is paid off?*

A. Your termPlan loan is life-insured—at no extra cost to you. In case of death, the unpaid balance of a loan in good standing is paid off automatically with no further claim.

Q. *You're sure I won't have to pay any extras later?*

A. That's right. We can tell you ahead of time *exactly* what your loan will cost—to the last cent. If you like, you can then compare this cost against what you might have to pay elsewhere.

Some typical termPlan costs

You receive	You repay over.	Monthly Payment
$ 500	12 months	43.93
$1,000	18 months	60.00
$1,500	24 months	69.11
$2,000	30 months	75.44
$2,500	36 months	80.37
$3,600	36 months	115.73

EXAMPLES: Loans are available on a 12, 18, 24, 30 or 36 month basis according to purpose and payment capacity.

*Amount Required	*Loan Amount	Net Proceeds	Monthly Deposit
12 MONTHS			
$ 50	$ 60	$ 56.40	$ 5
300	324	304.56	27
500	540	507.60	45
1,000	1,068	1,003.92	89
2,500	2,676	2,515.44	223
30 MONTHS			
$ 500	$ 600	$ 510.00	$ 20
1,000	1,200	1,020.00	40
1,500	1,770	1,504.50	59
2,500	2,970	2,524.50	99
4,000	4,740	4,029.00	158

*Amount Required	*Loan Amount	Net Proceeds	Monthly Deposit
18 MONTHS			
$ 300	$ 342	$ 311.22	$ 19
500	558	507.78	31
1,000	1,116	1,015.56	62
1,500	1,656	1,506.96	92
2,500	2,754	2,506.14	153
36 MONTHS			
$ 500	$ 612	$ 501.84	$ 17
1,500	1,836	1,505.52	51
2,500	3,060	2,509.20	85
3,000	3,672	3,011.04	102
4,000	4,896	4,014.72	136

*Amount Required	*Loan Amount	Net Proceeds	Monthly Deposit
24 MONTHS			
$ 300	$ 360	$ 316.80	$ 15
500	576	506.88	24
1,000	1,152	1,013.76	48
1,500	1,728	1,520.64	72
3,000	3,432	3,020.16	143

*Amounts shown are for illustration —proportionate or larger amounts are available to meet your needs.

Apply at Any Branch of the

CANADIAN IMPERIAL BANK OF COMMERCE



The difference between hoping and having...

personal loan

from the

CANADIAN IMPERIAL BANK OF COMMERCE

A wise use of credit can greatly improve your standard of living. You will find Personal Loans useful for such purposes as:

Purchases of Cars, Appliances, Home Furnishings, Boats and Motors, Record-Players, Radio and Television Sets, Hobby Equipment, etc. • Assisting in the purchase of Houses and Improvements • Payments on Mortgages • Income and Property Taxes • School Fees Buying Fuel • Travel, Medical and Dental Expenses • Insurance Premiums Refinancing Debts and Instalment Purchases

QUESTIONS AND ANSWERS REGARDING OUR PERSONAL LOAN SERVICE

who may obtain a personal loan?

Anyone of good character with a regular income from a payroll, salary, self-employment or other source.

how do I obtain a personal loan?

By applying at any branch of the Canadian Imperial Bank of Commerce.

what security is required?

Usually only the signature of the applicant and wife or husband, if any. In some cases security on automobiles or signatures of one or more guarantors may be requested. The Bank's requirements always take into consideration the relationship of the amount of the loan to the income and prospects of the borrower.

what does a loan cost me?

Six per cent per year deducted in advance.

how do I repay the loan?

Equal monthly deposits in a special Savings Account provide for payment at maturity. These deposits may be made at any branch of the Canadian Imperial Bank of Commerce without charge.

do I get interest on these deposits?

Yes. You get interest at the regular Savings rate.

do I get any life insurance protection?

Yes. If the borrower dies while the loan is in good standing the Bank applies the total amount of the moneys he has deposited in the Savings Account and the balance is provided under the terms of a group life insurance policy which the Bank arranges. Thus all signers on a loan in good standing are completely released.

may I pay the loan in advance?

Yes. If the entire balance due on a loan is paid in advance a proportionate rebate of the cost of the loan is allowed.

how do I select the date for my deposits?

You may select from one of five deposit dates (1st, 7th, 15th, 22nd and 28th). The first deposit should not be more than six weeks from the date you obtain the loan.

The Bank of Montreal

Low-Cost Life-Insured Loans

"MY BANK" TO 3 MILLION CANADIANS

BANK OF MONTREAL

Family Finance Plan

BRING ALL YOUR PERSONAL CREDIT NEEDS UNDER ONE ROOF



Open the door...

A-457

Choose your TV and select the plan that fits your pocket-book. Here are a few typical examples showing monthly payments.

LOAN	$300	$500	$750
	Payment	Payment	Payment
12 months	$26.31	$43.85	$65.78
18 months	17.96	29.93	44.90
24 months	13.78	22.97	34.47

Larger amounts and longer terms also available.

Need a refrigerator, hi-fi or any other household appliance? . . . FFP can help you here too.

. . . to Better Living

for you and your family



Better living means different things to different people. To some a boat and trailer add zest to life . . . to others modern appliances and modern furniture make living more enjoyable.

Whatever your point of view . . . whatever you think would make life more fun for you and your family . . . chances are you can finance your needs on the Bank of Montreal Family Finance Plan.

Under this low-cost, life-insured plan, loans are available for all kinds of worthwhile purposes — from buying a *new or used car* to financing an *air-conditioner* for the bedroom. And FFP can be geared to practically any budget because you make only one monthly payment to cover all your purchases.

Here are a few typical examples showing monthly payments:

LOAN	$300	$500	$1,000	$2,000
	Payment	Payment	Payment	Payment
12 months	$26.31	$43.85	$87.71	$175.41
18 months	17.96	29.93	59.85	119.71
24 months	13.78	22.97	45.95	91.90

Larger amounts and longer terms also available.

If you'd like to open the door to better living for you and your family, drop in and see us. We will be only too glad to show you how the Bank of Montreal Family Finance Plan can help you.

"MY BANK" TO 3 MILLION CANADIANS

BANK OF MONTREAL B of M

Family Finance Plan

LOW-COST LIFE-INSURED LOANS

The Bank of Nova Scotia



SCOTIA PLAN LOANS are available for any worthwhile purpose

REPAY in monthly instalments arranged to suit your budget

Running a family is a lot like operating a business. Unexpected demands and special needs often crop up—or perhaps you have an opportunity to make a major purchase at a good saving. At times like this, when you don't have spare cash on hand, it is good business to do as the businessman does—borrow from the bank.

Does Scotiabank want MY business?

Of course it does. The bank's function is to gather money and to put it to work. The deposits of the bank's savings account customers—more than a million of them—are loaned for constructive purposes wherever money is required. Making loans to responsible borrowers is a major part of our business.

How much can I borrow?

Scotia Plan Loans run from a few hundred dollars to a few thousand. There is no point, of course, in paying costs for money you don't need, and we will not encourage you to borrow more than you can conveniently repay. But you can often save money by borrowing enough through Scotia Plan to pay off your other debts.

What about security?

In most cases, loans are secured by a car or furniture. In some cases, a signature alone will do. Occasionally Canada Savings Bonds, Life insurance (cash value) or savings accounts are used for additional security.

How long do I have to repay?

Six months to 36 months, depending on the amount you borrow and on your other commitments. Your payments are made in monthly instalments adjusted to your budget.

What does a Scotia Plan Loan cost?

The cost for $100, repaid in 12 equal monthly instalments, is 50¢ a month—which is included in your monthly repayment of $8.83. Similarly, $500 repaid in 18 months costs $2.42 a month, which is included in the instalment repayments of $30.19. This chart shows the low-cost Scotia Plan repayment rates on some of our more popular loans. Other loans of course can be arranged in other amounts and repayments to suit your budget.

LOW RATES

Amount of Loan	6 Months	12 Months	18 Months	24 Months	30 Months	36 Months	Total Amt. Repayable
$ 100	$17.17	—	—	—	—	—	$ 103
$ 300	—	$26.50	—	—	—	—	$ 318
$ 500	—	—	$30.19	—	—	—	$ 543.50
$1,000	—	—	—	$46.50	—	—	$1,116
$1,500	—	—	—	—	$57.00	—	$1,710
$2,500	—	—	—	—	—	$81.11	$2,920



Will it take long to get a loan?

No, in most cases you will have your money the next day.

How do I apply for a Scotia Plan Loan?

You can apply for a Scotia Plan Loan at any Canadian branch of The Bank of Nova Scotia. Discuss with our Scotia Plan lending officer, in complete confidence, how much you want to borrow and for how long you will want the loan. If the purpose for which you want the money is sound, and you can make repayments comfortably out of regular income, the money you want to borrow will be made available promptly. You will be pleased, as thousands of Canadian men and women have been, at the low cost and the minimum of "red tape".

Scotia Plan Loans are life-insured at no extra cost to you

SCOTIA PLAN LOANS are made easily, quickly and at low cost

Scotia BANK
THE BANK OF NOVA SCOTIA

Borrowing can make good sense when you borrow to...



For a new or used car . . .



. . . or a boat or motor



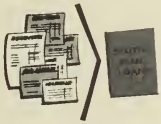
Household appliances . . .



. . . or new furnishings



. . . Medical, tax, insurance payments



. . . to consolidate other debts

- make personal or family purchases
- take advantage of an opportunity
- pay off outstanding debts
- meet special payments

From time to time nearly everyone finds that extra ready cash would be useful to meet special needs.

When you do not have enough cash on hand, or do not want to dip into savings, The Bank of Nova Scotia can help by providing funds, quickly and easily, through an economical Scotia Plan loan.

You need not be a Scotiabank customer in order to borrow through the Scotia Plan. If your need is reasonable and you are in a position to repay, the bank will be glad to lend you the money you require. Lending money is our business.



For travel or vacation expenses

SCOTIA PLAN LOANS are made easily, quickly and at low cost

Scotia BANK
THE BANK OF NOVA SCOTIA



BUYING A NEW CAR ?

Finance it at our low cost bank rates

MONTHLY INSTALMENT REPAYMENT CHART

	12 months	18 months	24 months	30 months	36 months
$ 500	$ 43.96	$ 30.04	$ 23.09	$ 18.92	$ 16.14
1,000	87.91	60.07	46.17	37.83	32.28
1,500	131.86	90.11	69.26	56.74	48.42
2,000	175.81	120.14	92.34	75.65	64.56
2,500	219.77	150.17	115.43	94.56	80.70
3,000	263.72	180.21	138.51	113.48	96.84

Monthly instalment includes interest at 6% per annum plus service charge and the cost of life insurance for the unpaid balance.

Personal Loans For Any Worthwhile Purpose At The Same Low Rates

THE TORONTO-DOMINION BANK



Low Cost Personal Loans to Fit Your Needs Available at Any Branch of

THE TORONTO-DOMINION BANK

Where People Make The Difference

(See other side for Monthly Instalment Repayment Chart)

AD 2

Niagara Finance Company Limited

SMALL LOAN EVEN DOLLAR REPAYMENT CHART

DO NOT USE OTHER THAN AMOUNTS AND TERMS SHOWN ON THIS CHART FOR SMALL LOANS

Monthly Payment	6 MONTHS		12 MONTHS		15 MONTHS		Monthly Payment	Monthly Payment	18 MONTHS		20 MONTHS		24 MONTHS		Monthly Payment	Monthly Payment	30 MONTHS	
	Cash Adv.	Ins. Prem.	Cash Adv.	Ins. Prem.	Cash Adv.	Ins. Prem.			Cash Adv.	Ins. Prem.	Cash Adv.	Ins. Prem.	Cash Adv.	Ins. Prem.			Cash Adv.	Ins. Prem.
6			63.45	.29	77.10	.43	6	6	89.95	.61	98.11	.74			6			
8			84.60	.38	102.79	.58	8	8	119.94	.81	130.81	.98			8			
10	56.01	.13	105.75	.48	128.49	.72	10	10	149.92	1.01	163.51	1.23			10	22	$506.94	5.70
12	67.22	.15	126.90	.57	154.19	.87	12	12	179.90	1.21	196.22	1.47			12	23	531.86	5.98
14	78.42	.18	148.05	.67	179.89	1.01	14	14	209.89	1.42	228.92	1.72			14	24	556.86	6.26
16	89.62	.20	169.21	.76	205.59	1.16	16	16	239.87	1.62	261.62	1.96			16	25	581.93	6.55
18	100.83	.23	190.36	.86	231.29	1.30	18	18	269.86	1.82	294.33	2.21			18	26	607.07	6.83
20	112.03	.25	211.51	.95	256.99	1.45	20	20	299.84	2.02	327.43	2.46			20			
22	123.23	.28	232.66	1.05	282.68	1.59	22	22	330.26	2.23	361.19	2.71			22			
24	134.43	.30	253.81	1.14	308.47	1.74	24	24	361.15	2.44	395.42	2.97			24			
26	145.64	.33	274.96	1.24	334.56	1.88	26	26	392.37	2.65	429.95	3.22	502.92	4.53	26			
28	156.84	.35	296.11	1.33	360.93	2.03	28	28	423.84	2.86	464.74	3.49	544.16	4.90	28	27	632.27	7.11
30	168.04	.38	317.43	1.43	387.50	2.18	30	30	455.51	3.07	499.74	3.75	585.59	5.27	30	28	657.51	7.40
32	179.25	.40	338.92	1.53	414.24	2.33	32	32	487.35	3.29	534.89	4.01	627.17	5.64	32	29	682.80	7.68
34	190.45	.43	360.52	1.62	441.09	2.48	34	34	519.29	3.51	570.14	4.28	668.85	6.02	34	30	708.13	7.97
36	201.65	.45	382.25	1.72	468.06	2.63	36	36	551.35	3.72	605.51	4.54	710.65	6.40	36	31	733.49	8.25
38	212.85	.48	404.08	1.82	495.13	2.79	38	38	583.50	3.94	640.97	4.81	752.52	6.77	38			
40	224.06	.50	425.96	1.92	522.25	2.94	40	40	615.70	4.16	676.48	5.07	794.45	7.15	40			
42	235.26	.53	447.91	2.02	549.44	3.09	42	42	647.98	4.37	712.06	5.34	836.45	7.53	42			
44	246.46	.55	469.94	2.11	576.70	3.24	44	44	680.32	4.59	747.70	5.61	878.50	7.91	44			
46	257.67	.58	491.96	2.21	603.95	3.40	46	45	696.49	4.70	765.52	5.74	899.53	8.10	45			
48	268.87	.60	514.08	2.31	631.31	3.55	48	46	712.65	4.81	783.34	5.88	920.56	8.29	46	32	758.89	8.54
50	280.07	.63	536.23	2.41	658.68	3.71	50	47	728.86	4.92	801.20	6.01	941.62	8.47	47	33	784.30	8.82
55	308.16	.69	591.66	2.66	727.19	4.09	55	48	745.09	5.03	819.07	6.14	962.70	8.66	48	34	809.75	9.11
60	336.44	.76	647.29	2.91	795.89	4.48	60	49	761.31	5.14	836.95	6.28	983.78	8.85	49	35	835.23	9.40
65	364.79	.82	702.97	3.16	864.64	4.86	65	50	777.54	5.25	854.83	6.41			50	36	860.71	9.68
70	393.31	.88	758.81	3.41	933.54	5.25	70	51	793.76	5.36	872.70	6.55			51			
75	421.82	.95	814.65	3.67			75	52	809.99	5.47	890.58	6.68			52			
76	427.52	.96	825.82	3.72			76	53	826.22	5.58	908.46	6.81			53			
80	450.38	1.01	870.53	3.92			80	54	842.46	5.69	926.35	6.95			54			
85	479.08	1.08	926.55	4.17			85	55	858.74	5.80	944.28	7.08			55			
90	507.78	1.14	982.56	4.42			90	56	875.01	5.91	962.20	7.22			56			
92	519.26	1.17					92	57	891.29	6.02	980.13	7.35			57	37	886.21	9.97
95	536.48	1.21					95	58	907.57	6.13	998.05	7.49			58	38	911.75	10.26
100	565.18	1.27					100	59	923.84	6.24					59	39	937.30	10.54
110	622.75	1.40					110	60	940.12	6.35					60	40	962.84	10.83
120	680.43	1.53					120	61	956.39	6.46					61	41	988.39	11.12
125	709.27	1.60					125	62	972.67	6.57					62			
								63	988.94	6.68					63			

Cash Advance	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.	Monthly Payment	Ins. Prem.
1000.00	175.34	2.25	91.56	4.50	74.82	5.63	63.68	6.75	58.11	7.50	49.77	9.00	41.45	11.25
	6 MONTHS		12 MONTHS		15 MONTHS		18 MONTHS		20 MONTHS		24 MONTHS		30 MONTHS	

SMALL LOAN AMOUNTS OVER $1000.00

DO NOT USE OTHER THAN AMOUNTS AND TERMS SHOWN ON THIS CHART FOR SMALL LOANS

12 MONTHS			15 MONTHS			18 MONTHS			20 MONTHS			24 MONTHS			30 MONTHS		
Mthly. Pmt.	Cash Advance	Ins. Prem.	Mthly. Pmt.	Cash Advance	Ins. Prem.	Mthly. Pmt.	Cash Advance	Ins. Prem.	Mthly. Pmt.	Cash Advance	Ins. Prem.	Mthly. Pmy.	Cash Advance	Ins. Prem.	Mthly. Pmt.	Cash Advance	Ins. Prem.
92	1004.99	4.52	75	1002.45	5.64	64	1005.26	6.79	59	1016.06	7.62	50	1004.89	9.04	42	1014.07	11.41
93	1016.25	4.57	76	1016.30	5.72	65	1021.65	6.90	60	1034.07	7.76	51	1026.07	9.23	43	1039.85	11.70
94	1027.51	4.62	77	1030.15	5.80	66	1038.05	7.01	61	1052.11	7.89	52	1047.30	9.43	44	1065.72	11.99
95	1038.77	4.67	78	1044.00	5.87	67	1054.45	7.12	62	1070.21	8.03	53	1068.59	9.62	45	1091.70	12.28
96	1050.02	4.73	79	1057.86	5.95	68	1070.93	7.23	63	1088.31	8.16	54	1089.94	9.81	46	1117.77	12.58
97	1061.28	4.78	80	1071.77	6.03	69	1087.40	7.34	64	1106.45	8.30	55	1111.37	10.00	47	1143.94	12.87
98	1072.54	4.83	81	1085.71	6.11	70	1103.88	7.45	65	1124.66	8.44	56	1132.82	10.20	48	1170.19	13.17
99	1083.80	4.88	82	1099.66	6.19	71	1120.38	7.56	66	1142.88	8.57	57	1154.34	10.39	49	1196.53	13.46
100	1095.10	4.93	83	1113.61	6.26	72	1136.92	7.67	67	1161.11	8.71	58	1175.87	10.58	50	1222.91	13.76
101	1106.41	4.98	84	1127.55	6.34	73	1153.47	7.79	68	1179.40	8.85	59	1197.46	10.78			
102	1117.72	5.03	85	1141.50	6.42	74	1170.01	7.90	69	1197.70	8.98	60	1219.07	10.97			
103	1129.03	5.08	86	1155.50	6.50	75	1186.57	8.01	70	1216.00	9.12						
104	1140.34	5.13	87	1169.51	6.58	76	1203.19	8.12									
105	1151.68	5.18	88	1183.51	6.66	77	1219.80	8.23									
106	1163.01	5.23	89	1197.52	6.74												
107	1174.35	5.29	90	1211.53	6.82												
108	1185.68	5.34															
109	1197.05	5.39															
110	1208.43	5.44															
111	1219.82	5.49															

Premier Finance Corporation Limited



AMOUNT FINANCED	6 MONTHS		12 MONTHS		18 MONTHS	
	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge
50 – 60	10	3	5	6		
61 – 70	12	4	6	7		
71 – 80	14	4	7	8		
81 – 90	16	5	8	9		
91 – 100	17	5	9	10		
101 – 110	19	6	10	11		
111 – 120	21	6	11	12		
121 – 130	23	6	12	12		
131 – 140	24	7	13	13		
141 – 150	26	7	14	14	9	21
151 – 160	28	8	15	15	10	23
161 – 170	30	8	15	16	11	24
171 – 180	31	9	16	17	11	25
181 – 190	33	9	17	18	12	27
191 – 200	35	10	18	19	13	28
201 – 210	37	10	19	20	13	29
211 – 220	38	11	20	21	14	31
221 – 230	40	11	21	22	15	32
231 – 240	42	12	22	23	15	34
241 – 250	44	12	23	23	16	35
251 – 260	45	12	24	24	16	36
261 – 270	47	13	25	25	17	38
271 – 280	49	13	25	26	18	39
281 – 290	51	14	26	27	18	41
291 – 300	52	14	27	28	19	42
301 – 310	54	15	28	29	20	43
311 – 320	56	15	29	30	20	45
321 – 330	58	16	30	31	21	46
331 – 340	59	16	31	32	21	47
341 – 350	61	17	32	33	22	49
351 – 360	63	17	33	34	23	50
361 – 370	65	18	34	35	23	52
371 – 380	66	18	35	35	24	53
381 – 390	68	18	35	36	25	54
391 – 400	70	19	36	37	25	56
401 – 410	71	19	37	38	26	57
411 – 420	73	20	38	39	27	58
421 – 430	75	20	39	40	27	60
431 – 440	77	21	40	41	28	61
441 – 450	78	21	41	42	28	63
451 – 460	80	22	42	43	29	64
461 – 470	82	22	43	44	30	65
471 – 480	84	23	44	45	30	67
481 – 490	85	23	45	46	31	68
491 – 500	87	23	45	46	32	69
501 – 525	92	25	48	49	33	73
526 – 550	96	26	50	51	35	76
551 – 575	100	27	52	53	36	80
576 – 600	105	28	55	56	38	83
601 – 625	109	29	57	58	40	87
626 – 650	113	30	59	60	41	90
651 – 675	118	32	61	63	43	94

AMOUNT FINANCED	6 MONTHS		12 MONTHS		18 MONTHS	
	Amt. per Mo.	Finance Charge	Amt per Mo	Finance Charge	Amt. per Mo.	Finance Charge
676 – 700	122	33	64	65	44	97
701 – 725	126	34	66	67	46	101
726 – 750	131	35	68	69	47	104
751 – 775	135	36	71	72	49	107
776 – 800	139	37	73	74	51	111
801 – 825	144	38	75	76	52	114
826 – 850	148	40	77	79	54	118
851 – 875	153	41	80	81	55	121
876 – 900	157	42	82	83	57	125
901 – 925	161	43	84	86	58	128
926 – 950	166	44	86	88	60	132
951 – 975	170	45	89	90	62	135
976 – 1,000	174	46	91	92	63	138
1,001 – 1,050	183	49	96	97	66	145
1,051 – 1,100	192	51	100	102	70	152
1,101 – 1,150	200	53	105	106	73	159
1,151 – 1,200	209	56	109	111	76	166
1,201 – 1,250	218	58	114	115	79	173
1,251 – 1,300	227	60	118	120	82	180
1,301 – 1,350	235	63	123	125	85	187
1,351 – 1,400	244	65	127	129	89	194
1,401 – 1,450	253	67	132	134	92	201
1,451 – 1,500	261	69	136	138	95	207
1,501 – 1,550	270	72	141	143	98	214
1,551 – 1,600	279	74	146	148	101	221
1,601 – 1,650	288	76	150	152	104	228
1,651 – 1,700	296	79	155	157	107	235
1,701 – 1,750	305	81	159	161	111	242
1,751 – 1,800	314	83	164	166	114	249
1,801 – 1,850	323	86	168	171	117	256
1,851 – 1,900	331	88	173	175	120	263
1,901 – 1,950	340	90	177	180	123	270
1,951 – 2,000	349	92	182	184	126	276
2,001 – 2,050	357	95	187	189	130	283
2,051 – 2,100	366	97	191	194	133	290
2,101 – 2,150	375	99	196	198	136	297
2,151 – 2,200	384	102	200	203	139	304
2,201 – 2,250	392	104	205	207	142	311
2,251 – 2,300	401	106	209	212	145	318
2,301 – 2,350	410	109	214	217	149	325
2,351 – 2,400	418	111	218	221	152	332
2,401 – 2,450	427	113	223	226	155	339
2,451 – 2,500	436	115	227	230	158	345
2,501 – 2,550	445	118	232	235	161	352
2,551 – 2,600	453	120	237	240	164	359
2,601 – 2,650	462	122	241	244	168	366
2,651 – 2,700	471	125	246	249	171	373
2,701 – 2,750	479	127	250	253	174	380
2,751 – 2,800	488	129	255	258	177	387
2,801 – 2,850	497	132	259	263	180	394
2,851 – 2,900	506	134	264	267	183	401
2,901 – 2,950	514	136	268	272	187	408
2,951 – 3,000	523	138	273	276	190	414

AMOUNT FINANCED	24 MONTHS		30 MONTHS		36 MONTHS	
	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge
50 – 60						
61 – 70						
71 – 80						
81 – 90						
91 – 100						
101 – 110						
111 – 120						
121 – 130						
131 – 140						
141 – 150						
151 – 160						
161 – 170						
171 – 180						
181 – 190						
191 – 200	10	37	8	46	7	56
201 – 210	10	39	9	49	7	58
211 – 220	11	41	9	51	8	61
221 – 230	11	43	9	53	8	64
231 – 240	12	45	10	56	9	67
241 – 250	12	46	10	58	9	69
251 – 260	13	48	11	60	9	72
261 – 270	13	50	11	63	10	75
271 – 280	14	52	11	65	10	78
281 – 290	14	54	12	67	10	81
291 – 300	15	56	12	69	11	83
301 – 310	15	58	13	72	11	86
311 – 320	16	59	13	74	11	89
321 – 330	16	61	14	76	12	92
331 – 340	17	63	14	79	12	94
341 – 350	17	65	14	81	12	97
351 – 360	18	67	15	83	13	100
361 – 370	18	69	15	86	13	103
371 – 380	19	70	16	88	13	105
381 – 390	19	72	16	90	14	108
391 – 400	20	74	16	92	14	111
401 – 410	20	76	17	95	15	114
411 – 420	21	78	17	97	15	116
421 – 430	21	80	18	99	15	119
431 – 440	22	81	18	102	16	122
441 – 450	22	83	18	104	16	125
451 – 460	23	85	19	106	16	127
461 – 470	23	87	19	109	17	130
471 – 480	24	89	20	111	17	133
481 – 490	24	91	20	113	17	136
491 – 500	25	92	20	115	18	138
501 – 525	26	97	22	121	19	145
526 – 550	27	102	23	127	19	152
551 – 575	28	106	24	133	20	159
576 – 600	30	111	25	138	21	166
601 – 625	31	115	26	144	22	173
626 – 650	32	120	27	150	23	180
651 – 675	33	125	28	156	24	187

AMOUNT FINANCED	24 MONTHS		30 MONTHS		36 MONTHS	
	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge
676 – 700	35	129	29	161	25	194
701 – 725	36	134	30	167	26	201
726 – 750	37	138	31	173	27	207
751 – 775	38	143	32	179	27	214
776 – 800	39	148	33	184	28	221
801 – 825	41	152	34	190	29	228
826 – 850	42	157	35	196	30	235
851 – 875	43	161	36	202	31	242
876 – 900	44	166	37	207	32	249
901 – 925	46	171	38	213	33	256
926 – 950	47	175	39	219	34	263
951 – 975	48	180	40	225	35	270
976 – 1,000	49	184	41	230	35	276
1,001 – 1,050	52	194	43	242	37	290
1,051 – 1,100	54	203	45	253	39	304
1,101 – 1,150	57	212	47	265	41	318
1,151 – 1,200	59	221	49	276	43	332
1,201 – 1,250	62	230	51	288	44	345
1,251 – 1,300	64	240	53	299	46	359
1,301 – 1,350	67	249	55	311	48	373
1,351 – 1,400	69	258	57	322	50	387
1,401 – 1,450	72	267	59	334	51	401
1,451 – 1,500	74	276	61	345	53	414
1,501 – 1,550	76	286	64	357	55	428
1,551 – 1,600	79	295	66	368	57	442
1,601 – 1,650	81	304	68	380	58	456
1,651 – 1,700	84	313	70	391	60	470
1,701 – 1,750	86	322	72	403	62	483
1,751 – 1,800	89	332	74	414	64	497
1,801 – 1,850	91	341	76	426	66	511
1,851 – 1,900	94	350	78	437	67	525
1,901 – 1,950	96	359	80	449	69	539
1,951 – 2,000	99	368	82	460	71	552
2,001 – 2,050	101	378	84	472	73	566
2,051 – 2,100	104	387	86	483	74	580
2,101 – 2,150	106	396	88	495	76	594
2,151 – 2,200	109	405	90	506	78	608
2,201 – 2,250	111	414	92	518	80	621
2,251 – 2,300	113	424	94	529	82	635
2,301 – 2,350	116	433	96	541	83	649
2,351 – 2,400	118	442	98	552	85	663
2,401 – 2,450	121	451	100	564	87	677
2,451 – 2,500	123	460	102	575	89	690
2,501 – 2,550	126	470	105	587	90	704
2,551 – 2,600	128	479	107	598	92	718
2,601 – 2,650	131	488	109	610	94	732
2,651 – 2,700	133	497	111	621	96	746
2,701 – 2,750	136	506	113	633	97	759
2,751 – 2,800	138	516	115	644	99	773
2,801 – 2,850	141	525	117	656	101	787
2,851 – 2,900	143	534	119	667	103	801
2,901 – 2,950	146	543	121	679	105	815
2,951 – 3,000	148	552	123	690	106	828

AMOUNT FINANCED	42 MONTHS		48 MONTHS		54 MONTHS		60 MONTHS	
	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge
50 – 60								
61 – 70								
71 – 80								
81 – 90								
91 – 100								
101 – 110								
111 – 120								
121 – 130								
131 – 140								
141 – 150								
151 – 160								
161 – 170								
171 – 180								
181 – 190								
191 – 200	6	65	6	74	5	83	5	92
201 – 210	7	68	6	78	5	87	5	97
211 – 220	7	71	6	81	6	92	5	102
221 – 230	7	75	7	85	6	96	6	106
231 – 240	8	78	7	89	6	100	6	111
241 – 250	8	81	7	92	7	104	6	115
251 – 260	8	84	7	96	7	108	6	120
261 – 270	8	87	8	100	7	112	7	125
271 – 280	9	91	8	104	7	116	7	129
281 – 290	9	94	8	107	8	121	7	134
291 – 300	9	97	9	111	8	125	7	138
301 – 310	10	100	9	115	8	129	8	143
311 – 320	10	104	9	118	8	133	8	148
321 – 330	10	107	9	122	9	137	8	152
331 – 340	11	110	10	126	9	141	8	157
341 – 350	11	113	10	129	9	145	9	161
351 – 360	11	116	10	133	9	150	9	166
361 – 370	12	120	11	137	10	154	9	171
371 – 380	12	123	11	140	10	158	9	175
381 – 390	12	126	11	144	10	162	9	180
391 – 400	13	129	11	148	10	166	10	184
401 – 410	13	133	12	151	11	170	10	189
411 – 420	13	136	12	155	11	174	10	194
421 – 430	14	139	12	159	11	179	10	198
431 – 440	14	142	13	162	12	183	11	203
441 – 450	14	145	13	166	12	187	11	207
451 – 460	14	149	13	170	12	191	11	212
461 – 470	15	152	13	173	12	195	11	217
471 – 480	15	155	14	177	13	199	11	221
481 – 490	15	158	14	181	13	203	12	226
491 – 500	16	161	14	184	13	207	12	230
501 – 525	17	170	15	194	14	218	13	242
526 – 550	17	178	16	203	14	228	13	253
551 – 575	18	186	16	212	15	239	14	265
576 – 600	19	194	17	221	16	249	15	276
601 – 625	20	202	18	230	16	259	15	288
626 – 650	20	210	19	240	17	270	16	299
651 – 675	21	218	19	249	18	280	16	311

AMOUNT FINANCED	42 MONTHS		48 MONTHS		54 MONTHS		60 MONTHS	
	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge	Amt. per Mo.	Finance Charge
676 – 700	22	226	20	258	18	290	17	322
701 – 725	23	234	21	267	19	301	18	334
726 – 750	24	242	21	276	20	311	18	345
751 – 775	24	250	22	286	20	321	19	357
776 – 800	25	258	23	295	21	332	19	368
801 – 825	26	266	24	304	22	342	20	380
826 – 850	27	274	24	313	22	352	21	391
851 – 875	28	282	25	322	23	363	21	403
876 – 900	28	290	26	332	24	373	22	414
901 – 925	29	298	26	341	24	383	23	426
926 – 950	30	306	27	350	25	394	23	437
951 – 975	31	314	28	359	26	404	24	449
976 – 1,000	31	322	28	368	26	414	24	460
1,001 – 1,050	33	339	30	387	27	435	26	483
1,051 – 1,100	35	355	31	405	29	456	27	506
1,101 – 1,150	36	371	33	424	30	477	28	529
1,151 – 1,200	38	387	34	442	31	497	29	552
1,201 – 1,250	39	403	36	460	33	518	30	575
1,251 – 1,300	41	419	37	479	34	539	32	598
1,301 – 1,350	42	435	38	497	35	559	33	621
1,351 – 1,400	44	451	40	516	37	580	34	644
1,401 – 1,450	46	467	41	534	38	601	35	667
1,451 – 1,500	47	483	43	552	39	621	36	690
1,501 – 1,550	49	500	44	571	41	642	38	713
1,551 – 1,600	50	516	46	589	42	663	39	736
1,601 – 1,650	52	532	47	608	43	684	40	759
1,651 – 1,700	54	548	48	626	45	704	41	782
1,701 – 1,750	55	564	50	644	46	725	43	805
1,751 – 1,800	57	580	51	663	47	746	44	828
1,801 – 1,850	58	596	53	681	48	766	45	851
1,851 – 1,900	60	612	54	700	50	787	46	874
1,901 – 1,950	61	628	56	718	51	808	47	897
1,951 – 2,000	63	644	57	736	52	828	49	920
2,001 – 2,050	65	661	58	755	54	849	50	943
2,051 – 2,100	66	677	60	773	55	870	51	966
2,101 – 2,150	68	693	61	792	56	891	52	989
2,151 – 2,200	69	709	63	810	58	911	54	1,012
2,201 – 2,250	71	725	64	828	59	932	55	1,035
2,251 – 2,300	72	741	66	847	60	953	56	1,058
2,301 – 2,350	74	757	67	865	62	973	57	1,081
2,351 – 2,400	76	773	68	884	63	994	58	1,104
2,401 – 2,450	77	789	70	902	64	1,015	60	1,127
2,451 – 2,500	79	805	71	920	65	1,035	61	1,150
2,501 – 2,550	80	822	73	939	67	1,056	62	1,173
2,551 – 2,600	82	838	74	957	68	1,077	63	1,196
2,601 – 2,650	83	854	76	976	69	1,098	64	1,219
2,651 – 2,700	85	870	77	994	71	1,118	66	1,242
2,701 – 2,750	87	886	78	1,012	72	1,139	67	1,265
2,751 – 2,800	88	902	80	1,031	73	1,160	68	1,288
2,801 – 2,850	90	918	81	1,049	75	1,180	69	1,311
2,851 – 2,900	91	934	83	1,068	76	1,201	71	1,334
2,901 – 2,950	93	950	84	1,086	77	1,222	72	1,357
2,951 – 3,000	94	966	85	1,104	79	1,242	73	1,380

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Canadian Acceptance Corporation Realty Limited

It will also save time if you bring your title or mortgage deed and your fire insurance policy with you to the meeting. We want to accommodate you just as quickly as possible.

What are my Costs and Responsibilities in Arranging or Selling a Second Mortgage?



The first step in arranging or selling a second mortgage is to have your home, or the property on which you hold a second mortgage, appraised. Appraisal fees are standard, and the cost is a very nominal one. In any case, we shall advise you of the exact amount of the fee before the appraisal is conducted.

Now, if you are arranging a second mortgage, we ask that you have fire insurance that will cover the full value of the property, but this is something you probably have in any case.

In addition to the cost of registering the mortgage contract at the Registry or Land Titles office (approximately $15), the only other expense is legal fees. These are based on the scale recommended by the local Law Association in your district, and again, we shall advise you of the exact legal charges involved when you call to see us.

The main point we wish to make here is that C.A.C. Realty Limited has no hidden charges whatsoever. Furthermore, you will know exactly what charges are involved before you make your decision either to obtain a mortgage, or to sell one to us.

Please Note: If you wish to sell a second mortgage, you may not have an immediate interest in the information that follows. But, read on: it could well be that some time in the future you will want extra cash, and if that does happen we will be delighted to discuss arranging a second mortgage for you.

What will my Mortgage Payments be?

You repay your mortgage by making equal monthly payments over a period of time up to 12 years. The following schedule will give you examples of monthly payments.

Amount of mortgage loan	Amount of monthly Payment					
	3 yrs.	5 yrs.	6 yrs.	8 yrs.	10 yrs.	12 yrs.
$1,600	52.93	35.36	31.04	25.76	22.69	20.74
$2,000	66.16	44.20	38.80	32.19	28.37	25.92
$2,500	82.70	55.25	48.50	40.24	35.46	32.40
$3,000	99.23	66.30	58.20	48.29	42.55	38.88
$3,500	115.77	77.35	67.90	56.33	49.64	45.36
$4,000	132.31	88.40	77.60	64.38	56.73	51.84
$4,500	148.85	99.45	87.30	72.43	63.82	58.32
$5,000	165.39	110.50	97.00	80.48	70.91	64.80
$6,000	198.46	132.60	116.40	96.58	85.10	77.76
$7,000	231.54	154.70	135.80	112.66	99.28	90.72
$8,000	264.62	176.80	155.20	128.76	113.46	103.68

And here's an important point—**Your loan will be paid in full at the end of the period of time selected.** There will be no money owing to our company.

In accordance with the Dominion Interest Act, 1952, our interest rate of 1% per month will be computed semi-annually, **not** in advance. This means that each payment you make reduces the amount of interest being charged.

Note too, that you will deal with C.A.C. Realty Limited until your mortgage is paid in full; **your mortgage agreement will not be sold to any other individual or organization.** Our parent company is Canadian Acceptance Corporation Limited — an organization backed by more than $360,000,000 in capital and surplus.

Can your Company demand full payment of the mortgage before the Maturity Date? Can I pre-pay my Loan before the Final Payment?

As long as the monthly payments are maintained, and other mortgage covenants complied with, C.A.C. Realty Limited cannot call in the mortgage under any circumstances. On the other hand, you can pay the mortgage in full — or any part of it — after the first six months of the contract **without previous notice or penalty.**

What protection will my family have?



Having insurance to protect your family against any debt is good business. That's

How much can I Borrow? Will you buy my Second Mortgage?



Normally our policy is that first and second mortgages can amount to 80% of our valuation of a home. For instance, if your property is valued at $15,000 it can be mortgaged for $12,000. Thus, if you already had a mortgage for $8,500 you could, by applying to C.A.C. Realty Limited, obtain an additional mortgage for $3,500.

The same generally applies to a second mortgage you have to sell. The first mortgage plus your second mortgage could amount to 80% of our valuation of the property to which your mortgage is secured.

But these aren't hard and fast rules. C.A.C. Realty Limited is exceedingly flexible, and we will do all we can to tailor any transaction we have with you to meet your personal requirements.

What is the First Step?



If you want to arrange a second mortgage on your home — or, for that matter, sell one you are holding — the first step is to complete the application form in the back page of this brochure — any assistance needed will be readily given by our staff. Or, bring the application form for completion at our office when you call to see us.

Laurentide Financial Corporation Limited



LAURENTIDE

INSTANT CASH

for your children's back-to-school expenses

Right now you can get . . .

$ 104.94 FOR ONLY $ 7.00 A MONTH (FOR 18 MONTHS)
$ 212.57 FOR ONLY $13.00 A MONTH (FOR 20 MONTHS)
$ 310.78 FOR ONLY $19.00 A MONTH (FOR 20 MONTHS)
$ 506.94 FOR ONLY $22.00 A MONTH (FOR 30 MONTHS)
$ 708.13 FOR ONLY $30.00 A MONTH (FOR 30 MONTHS)
$1000.00 FOR ONLY $41.45 A MONTH (FOR 30 MONTHS)
$1535.29 FOR ONLY $58.00 A MONTH (FOR 36 MONTHS)
$2117.65 FOR ONLY $80.00 A MONTH (FOR 36 MONTHS)

Manager_____

P.S. For your shopping convenience we are open

Friday until_____p.m.

Saturday until_____p.m.

Dear Customer:

It will soon be time for your children to go back to school – and that means not only new clothing for growing young bodies, but books, fees and stationery.

Naturally, you would like your children to look smart and well dressed, equipped with everything they need to make a success of the new school year. So don't let the thought of other family expenses stop you from shopping around for *everything* they'll need.

Come in and talk to me or call me on the phone. Laurentide will pay off all your bills, give you the back-to-school INSTANT CASH you want, and arrange for you to pay only *one low monthly payment.* I'd like to help, so give me a call *right now.*

[COMMITTEE PRINT]

SEPTEMBER 25, 1964

Calendar No.

88TH CONGRESS
2D SESSION

S. 750

[Report No.]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 7 (legislative day, JANUARY 15), 1963

Mr. DOUGLAS (for himself, Mr. MANSFIELD, Mr. MAGNUSON, Mr. CASE, Mr. CLARK, Mr. PROXMIRE, Mrs. NEUBERGER, Mr. DODD, Mr. KEFAUVER, Mr. HART, Mr. RANDOLPH, Mr. YOUNG of Ohio, Mr. MOSS, Mr. CANNON, Mr. GRUENING, Mr. MORSE, Mr. BARTLETT, Mr. MCGEE, Mr. PELL, and Mr. MCGOVERN) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

SEPTEMBER , 1964

Reported by Mr. ----------, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Truth in Lending Act".

DECLARATION OF PURPOSE

SEC. 2. The Congress finds and declares that economic stabilization is threatened by the untimely use of credit for the acquisition of property and services. The untimely use

J. 38-271——1

of credit results frequently from a lack of awareness of the cost thereof to the user. It is the purpose of this Act to assure a full disclosure of such cost with a view to preventing the uninformed use of credit to the detriment of the national economy.

DEFINITIONS

SEC. 3. As used in this Act, the term—

(1) "Board" means the Board of Governors of the Federal Reserve System.

(2) "Credit" means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale, or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(3) "Finance charge" means the sum of all the charges (including but not limited to interest, fees, service charges, and discounts) which any person to whom credit is extended

incurs in connection with, and as an incident to, the extension of such credit.

(4) "Creditor" means any person engaged in the business of extending credit (including any person who as a regular business practice makes loans or sells or rents property or services on a time, credit, or installment basis, either as principal or as agent) who requires, as an incident to the extension of credit, the payment of a finance charge.

(5) "Person" means any individual, corporation, partnership, association, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing.

DISCLOSURE OF FINANCE CHARGES

SEC. 4. (a) Except as provided in subsection (b), any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable *and ascertainable* and in accordance with rules and regulations prescribed by the Board, the following information—

(1) the cash price or delivered price of the property or service to be acquired;

(2) the amounts, if any, to be credited as down-payment and/or trade-in;

(3) the difference between the amounts set forth under clauses (1) and (2);

(4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;

(5) the total amount to be financed;

(6) the finance charge expressed in terms of dollars and cents; and

(7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the average outstanding unpaid balance of the obligation.

(b) Any creditor agreeing to extend credit to any person pursuant to a revolving or open-end credit plan shall, in accordance with rules and regulations prescribed by the Board and in lieu of the information described in subsection (a)—

~~(1) furnish to such person, prior to agreeing to extend credit under such plan, a clear statement in writing setting forth the simple annual percentage rate or rates at which a finance charge will be imposed; and~~

(1) furnish to such person, prior to agreeing to

extend credit under such plan, a clear statement in writing setting forth the finance charge which will be imposed monthly or periodically on the outstanding unpaid balances from time to time stated in terms of a percentage or percentages of such balances, and the minimum dollars and cents charge or charges, if any, or in terms of dollars and cents to be imposed on a schedule of fixed amounts of outstanding balances in which case the statement shall set forth the schedule and the basis of computing the dollars and cents finance charges under the schedule including the percentage or percentages and the minimum charge, if any, used in such computation; and

(2) furnish to such person, at the end of each monthly period (which need not be a calendar month) following the entering into of any such agreement, a clear statement in writing setting forth *to the extent applicable and ascertainable*—

(A) the outstanding balance in the account of such person as of the beginning of such monthly period;

(B) the amount of each extension of credit to such person (including the cash price or delivered price of any property or service acquired by such person) during such period, ~~together with the date~~

~~thereof and a brief identification of any property or services so acquired;~~ *and, unless previously furnished, the date thereof and a brief identification of the property or services so acquired;*

(C) the total amount received from, or credited to the account of, such person during such period;

(D) the finance charge (in dollars and cents) required for such period;

(E) the outstanding balance in the account of such person as of the end of such monthly period; and

~~(F) the simple annual percentage rate or rates providing a yield equal to the finance charge imposed.~~

(F) the finance charge which has been imposed for such period stated as a percentage or percentages of the outstanding unpaid balance, and the minimum dollars and cents charge, if any, or in the case of finance charges based on a schedule of fixed amounts of outstanding balances, the percentage or percentages and the minimum charge, if any, used in the computation of such schedule.

~~As used in this subsection, the term "revolving or open-end credit plan" means a credit plan under which the total amount of credit to be utilized, the dollar amount of the finance charge to be assessed, and the amounts and times of~~

~~repayment are not specified at the time an agreement to extend credit pursuant to such plan is entered into.~~

As used in this subsection, the term "revolving or open-end credit plan" means a credit plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(c) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, or other adjustment in the credit agreement through mutual consent of the parties, the inaccuracy resulting therefrom shall not constitute a violation of this section.

REGULATIONS

SEC. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Such rules and regulations shall (1) include a description of (A) the methods which may be used in determining the "simple annual rate" or "simple *monthly or* annual percentage *rate or* rates" for the purpose of section 4, and (B) the size of type or lettering which shall be used in setting forth information required by such section, ~~and~~ ~~(2)~~ *(2) prescribe reasonable tolerances of accuracy with*

respect to disclosing information under such section, and (3) require that such information be set forth with sufficient prominence to insure that it will not be overlooked by the person to whom credit is extended. Any rule or regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder. In prescribing any exceptions hereunder with respect to any particular type of credit transaction, the Board shall consider whether in such transactions compliance with the disclosure requirements of this Act is being achieved under any other Act of Congress. ~~The Board shall exempt those credit transactions involving extensions of credit to business firms, governments, or governmental agencies or instrumentalities as to which it determines adherence to the disclosure requirements of this Act is not necessary to carry out the purpose of this Act.~~

(b) In the exercise of its powers under this section, the Board shall request the views of other Federal agencies exercising regulatory functions with respect to creditors, or any class of creditors, which are subject to the provisions of

this Act, and such agencies shall furnish such views upon request of the Board.

(c) The Board shall establish an advisory committee, consisting of not more than nine members, to advise and consult with it in the exercise of its powers under this section. In appointing members to such committee the Board shall seek to achieve a fair representation of the interest of sellers of merchandise on credit, lenders, and the public. Such committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed $25 per diem in lieu of subsistence, as authorized by section 5 of the Act of August 2, 1946 (5 U.S.C. 73b–2).

EFFECT ON STATE LAWS

SEC. 6. (a) This Act shall not be construed to annul, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are directly inconsistent with the provisions of this Act *or regulations issued thereunder.*

(b) The Board shall by regulation except from the requirements of this Act any credit transactions or class of transactions which it determines are effectively regulated

under the laws of any State so as to require the disclosure by the creditor of the same information as is required under section 4 of this Act.

PENALTIES

SEC. 7. (a) Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of $100, or in an amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed $2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any such action, no person shall be entitled to recover such penalty solely as the result of the erroneous computation of any percentage required by section 4 (a) (7), 4 (b) (1), or 4 (b) (2) (F) of this Act to be disclosed to such person, if the percentage disclosed to such person pursuant to this Act was in fact greater than the percentage required by such section, *or the regulations prescribed by the Board,* to be disclosed. In any action under this subsection in which any person is entitled to a recovery. the creditor shall be liable for reasonable attorneys' fees and court costs as determined by the court. As used

in this subsection, the term "court of competent jurisdiction" means either any Federal court of competent jurisdiction regardless of the amount in controversy or any State court of competent jurisdiction.

(b) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation thereunder shall affect the validity or enforcibility of any contract or transaction.

(c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined not more than ~~$5,000~~ *$1,000* or imprisoned not more than ~~one year,~~ *thirty days,* or both.

(d) No punishment or penalty provided by this Act shall apply to the United States, or any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

EXCEPTIONS

SEC. 8. The provisions of this Act shall not apply to—

(1) credit transactions involving extensions of credit to business firms, governments, or governmental agencies or instrumentalities; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission.

EFFECTIVE DATE

~~SEC. 8. This Act shall become effective on January 1, 1964.~~

SEC. 9. The provisions of this Act shall take effect upon the expiration of one hundred and eighty days after the date of its enactment; except that section 5 shall take effect immediately.

[COMMITTEE PRINT]

SEPTEMBER 25, 1964

Calendar No.

88TH CONGRESS
2D SESSION

S. 750

[Report No.]

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit.

By Mr. DOUGLAS, Mr. MANSFIELD, Mr. MAGNUSON, Mr. CASE, Mr. CLARK, Mr. PROXMIRE, Mrs. NEUBERGER, Mr. DODD, Mr. KEFAUVER, Mr. HART, Mr. RANDOLPH, Mr. YOUNG of Ohio, Mr. MOSS, Mr. CANNON, Mr. GRUENING, Mr. MORSE, Mr. BARTLETT, Mr. MCGEE, Mr. PELL, and Mr. MCGOVERN

FEBRUARY 7 (legislative day, JANUARY 15), 1963
Read twice and referred to the Committee on Banking and Currency

SEPTEMBER , 1964
Reported with amendments

SUMMARY OF
PROVISIONS IN STATE LOAN LAWS 2/ FOR DISCLOSURES
SIMILAR TO DISCLOSURE REQUIREMENTS IN
"TRUTH IN LENDING BILL"
(S. 1740, April 21, 1962, Committee Print)

I. No State law contains all the disclosure requirements of S. 1740.

II. STATES WITH DISCLOSURE REQUIREMENTS FOR ALL LOANS AND LENDERS

New Hampshire	(statement to borrower expressed in dollars, rate of interest, or monthly rate of charges, or a combination thereof)
Vermont	(statement in dollars on loan instrument of total amount of interest and of each other charge)

III. STATES WITH DISCLOSURE REQUIREMENTS FOR REAL PROPERTY MORTGAGE LOANS

	Applicable to:
Alabama	building and loan associations
California	1st trust - $10,000 or less - junior lien of $5,000 or less
Hawaii	building and loan associations
Maryland	purchase price of dwellings $15,000 or less
Massachusetts	owner-occupied dwellings valued not over $25,000
New Hampshire	all loans
Ohio	building and loan associations
Pennsylvania	building and loan associations
Vermont	all loans

IV. STATES THAT REQUIRE DISCLOSURE OF BOTH "AMOUNT" AND "RATE" 1/ OF FINANCE CHARGE

	Conditional Sales	Industrial Loan Companies	Retail Installment	Small Loans
Colorado				X
Kansas			X	
Maryland		X		
Massachusetts	X			
Tennessee				X
Vermont				X
Wisconsin				X
Wyoming				X

None of the foregoing State laws require the rate to be disclosed as required in S. 1740.

1. For purposes of this table rate considered required to be disclosed if statute requires that section of law prescribing maximum charge be printed on the statement furnished to borrower. None of the laws requires the rate to be disclosed in the manner required in S. 1740. Massachusetts, Wisconsin and Wyoming require the "rate of interest" to be disclosed and Vermont requires the "agreed rate" to be shown.
2. Laws surveyed are principal loan laws and do not include laws regulating loans made by pawnbrokers and fiduciaries.

V. STATES THAT REQUIRE DISCLOSURE OF "AMOUNT" OF FINANCE CHARGE

	Bank Installment Loans	Retail Installment	Small Loans	Other
Alaska		X		
California		X		Real property
Colorado		X	X	
Connecticut		X		Savings banks
Delaware		X		
Florida		X		
Georgia			X	
Hawaii		X (or rate)		
Idaho				Cond. sales
Illinois		X (or rate)		
Indiana		X		
Kansas		X	X	
Kentucky	X	X	X	
Maryland		X		Real prop. and indust. loan companies
Massachusetts				Cond. sales
Missouri		X	X (or rate)	
Montana		X	X (or rate)	
Nebraska		X		
Nevada			X (or rate)	
New Hampshire	X (or rate)	X (or rate)	X (or rate)	All other
New Jersey		X		Home repair
New York				
North Dakota		X		
Ohio		X		Bldg. and loan
South Dakota			X (or rate)	
Tennessee		X	X	
Utah				Cond. sales
Vermont	X	X	X	All other
Wisconsin			X	
Wyoming			X	

VIII STATE REVOLVING CREDIT LAWS

SUMMARY OF PROVISIONS FOR DISCLOSURES
SIMILAR TO DISCLOSURE REQUIREMENTS
IN "TRUTH IN LENDING BILL"

(S. 1740, April 21, 1962 Committee Print)

The following 16 States have revolving credit laws:

Alaska	Florida	Maryland	New York
California	Hawaii	Missouri	North Dakota
Colorado	Illinois	Nebraska	Ohio
Delaware	Kentucky	New Jersey	Tennessee

None of the laws contains all the disclosure requirements of S. 1740.

None of the lawa requires disclosure of the finance charge in terms of "simple annual percentage rate" as required in the bill either initially or in the monthly or periodical statement to the borrower, except North Dakota. That State requires the monthly statement to show the amount of charges for the month and the percentage annual simple interest equivalent of the amount of the charge. New York requires the amount of the charge or the annual percentage on outstanding balances to be disclosed initially under its add-on provisions in the Retail Installment Sales Act but does not so require in the provisions for retail installment credit agreements.

The following 10 States require the monthly finance charge to be stated in dollars and cents in the monthly statement:

Alaska	Missouri
California	New York
Delaware	North Dakota
Florida	Ohio
Kentucky	Tennessee

HOUSE . . . . . No. 2069

By Mr. Wheeler of Westwood, petition of Edward W. Brooke and James G. Wheeler for legislation relative to the regulation of retail installment sales. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Sixty-Five.

AN ACT RELATING TO THE REGULATION OF RETAIL INSTALLMENT SALES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 255 of the General Laws is hereby amended by striking out paragraphs 12, 12A, 12B, 12C, 12D, 13, 13B, 13C, 13G and all of chapter 255B, and inserting in place thereof the following chapter 255D.

CHAPTER 255D.

RETAIL INSTALLMENT SALES.

Section 1. Definitions. — In this chapter, unless the context otherwise requires, the following words shall have the following meanings: —

"Cash sale price", the price stated in a retail installment contract for which the seller would have sold to the buyer and the buyer would have bought from the seller, the goods which are the subject matter of the retail installment contract, if such sale had been a sale for cash instead of a retail installment transaction. The cash sale price may include charges, if any and if itemized, for taxes, delivery, servicing, repairing or improving the goods, accessories and installation costs.

"Commissioner", the Commissioner of Banks.

"Finance charge", the amount agreed upon between the buyer and the seller as limited herein, to be added to the aggregate of: the cash sale price; and the amount, if any, included for insurance.

"Goods", any chattel personal, including motor vehicles, purchased primarily for personal, family, or household purposes. "Goods" shall not include money or choses in action.

"Holder", means a person entitled to enforce a retail installment sales agreement against an installment buyer.

"Installment buyer", a person who buys or hires goods subject to any installment sales agreement, or any legal successor in interest to such person, notwithstanding that he may have entered into one or more renewal, or extension agreements.

"Installment sales price", the sum, expressed in a dollar amount, of the cash price, the finance charge, and any insurance premiums and official fees which an installment buyer agrees to pay under the terms of the retail installment sales agreement.

"Installment seller", means a person who sells or agrees to sell goods or services or both pursuant to a retail installment sales agreement.

"Motor vehicles", any self-propelled, motored device in, upon, or by which any person is, or may be, transported or drawn upon a highway and which is used or bought for use primarily for personal, family or household purposes. The term does not include self-propelled tractors, trucks, all commercial trailers and semi-trailers, buses, earth-moving and construction machinery or equipment, power shovels, road building machinery or equipment not designed primarily for highway transportation but which may incidentally transport persons on a highway, or devices which move upon or are guided by a track, or travel through the air.

"Person", includes any individual, partnership, corporation, association, trust, joint stock company and any other group of individuals however organized.

"Retail installment sales agreement", any contract entered into for a retail sale of goods or services or both under which the installment sale price is payable in more than one payment subsequent to the making of the contract.

"Revolving account", means a retail installment sales agreement where an installment seller extends credit to an installment buyer upon which and up to a specified amount the installment buyer may purchase goods or services or both whereby the specified amount of credit extended is decreased by each purchase up to the original or another specified amount.

"Services", means any work or labor furnished or agreed to be furnished in the delivery, installation, repair, or improvement of goods or chattels or both, including but not limited to alterations or improvements upon or in connection with real property, such labor being purchased primarily for personal, family, or household purposes, but excluding insurance of all types.

"Writing", includes printing, typewriting or other intentional reduction of language to tangible form.

"Sales finance company", (1) a bank as defined in section one of chapter one hundred and sixty-seven, or a national banking association, (2) any person engaged, in whole or in part, in the business of purchasing retail installment contracts from one or more retail sellers and (3) a retail seller engaged, in whole or in part, in the business of holding retail installment contracts entered into with retail buyers. The term "sales finance company" does not include the pledgee of an aggregate number of such contracts to secure a bona fide loan thereon.

"Down payment", includes all amounts paid, in cash, credits, or the agreed value of goods, by or for the buyer to or for the benefit of the seller at or before the time of the execution of the installment agreement.

"Security interest", means any property right in goods which are the subject of an installment sales agreement taken or retained to secure performance of any obligation of the buyer under the agreement, any renewal or extension thereof and the term shall include any reservation of title to such goods whether or not expressed to be absolute, whenever such title is in substance retained for security only; any lien or encumbrance against such goods, and any interest of a mortgage of such goods.

"Collateral security", means any security, other than a security interest in goods which are the subject of an installment sales agreement, which is given to secure performance of any obligation to the buyer or any surety or guarantor for him under an installment sales agreement, renewal or extension thereof, or refund agreement, and shall include the undertakings of any surety or guarantor for the buyer and any interest in, encumbrance on, or pledge of, property or goods other than goods the subject of the installment sales agreement.

Section 2. Licenses; Application; Fees; Assignment or Trans-

fer. — No person, other than a bank as defined in section one of chapter one hundred and sixty-seven or a national banking association, shall engage in the business of a sales finance company without first obtaining from the commissioner a license to carry on said business in the city or town where the business is to be transacted as provided herein. The application for such license shall be in writing and shall contain such information as the commissioner may, from time to time, determine. The commissioner may reject any application for a license or any application for the renewal of a license if he is not satisfied that the financial responsibility, character, reputation, integrity and general fitness of the applicant and of the owners, partners or members thereof, if the applicant be a partnership or association, and of the officers and directors, if the applicant be a corporation, are such as to command the confidence of the public and to warrant the belief that the business for which the application for a license is filed will be operated lawfully, honestly, fairly and efficiently. Such licenses shall be for a period not in excess of one year from November first. Each license shall plainly state the name of the licensee and the city or town with the name of the street and number, if any, of the place where the business is to be carried on, and shall be posted in a conspicuous place in the office where the business is transacted. The fee for such license shall not be less than one hundred dollars. If a licensee desires to carry on business in more than one place, he shall procure a license for each place where the business is to be conducted. Such license shall not be transferable or assignable.

Section 3. Rules and Regulations; Examination of Books and Business by Commissioner — The commissioner shall, from time to time, establish rules and regulations relative to the granting of licenses and the renewal thereof, the fees to be charged therefor and the business carried on by licensees. He may, whenever he determines it to be in the public interest, investigate the affairs of a licensee and, for that purpose, shall have free access to the premises, vaults, books and papers thereof. The commissioner may cause an examination of said books and business to be made by an accountant whom he may select, and the cost of such examination shall be paid by the licensee whose books are so examined.

The licensee shall keep and use within the Commonwealth such books, accounts and records as will enable the commissioner to determine whether such licensee is complying with the provisions of this chapter and with the rules and regulations lawfully made by the commissioner hereunder. Every licensee shall preserve such books, accounts and records, including cards used in a card system, if any, for at least two years after making the final entry in respect to any premium finance agreement recorded therein.

Section 4. Summoning of Licensees; Failure to Appear; Effect. — The commissioner, or such other of his assistants as he may designate, may summon a licensee, or any of his agents or employees, and such other witness as he deems necessary, and examine them relative to their transactions, may require the production of books and papers and, for such purposes may administer oaths. Whoever, without justifiable cause, fails or refuses to appear and testify or to produce books and papers when so required, or obstructs the commissioner or his representatives in the performance of their duties, shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than six months, or both.

Section 5. Refusal to Issue License; Notice; Appeal; Hearing. — If the commissioner refuses to issue a license, he shall notify the applicant of the denial, return the sum paid by the applicant as a license fee, less an investigation fee of fifty dollars for each application to cover the cost of investigating the applicant; and within twenty days thereafter he shall enter upon his records a written decision and findings containing the reasons supporting the denial, and shall forthwith give written notice thereof by registered mail to the applicant. Within thirty days after the date of such notice the applicant may appeal form such denial to the Superior Court for the County of Suffolk, sitting in equity. The court shall hear all pertinent evidence and determine the facts, and upon the facts as so determined review said denial and, as justice and equity may require, affirm the same or order the commissioner to issue such license.

Section 6. Violations of this Chapter; Investigations by Commissioner. — The commissioner, if he has reason to believe that any person other than a licensee has violated any of the pro-

visions of this act, shall have the power to make such investigations as he shall deem necessary, and, to the extent necessary for this purpose, he may examine such person, and shall have the power to compel the production of all relevant books, records, accounts and documents.

The state police and the police of the cities or towns shall carry out the directions of the commissioner in enforcing the provisions of this chapter and any rules or regulations made hereunder by him.

Section 7. Revocation or Suspension of License; Grounds. — A license may be suspended or revoked by the commissioner on the following grounds: — (1) material misstatement in application for license; (2) failure to comply with the provisions of this chapter; (3) defrauding any retail buyer to the buyer's damage; (4) fraudulent misrepresentation, circumvention or concealment by the licensee through whatever subterfuge or device of any of the material particulars or the nature thereof required to be stated or furnished to the retail buyer under this chapter; (5) the existence of any fact or condition which, if it had existed at the time of the original application for such license, clearly would have warranted the commissioner in refusing to issue such license.

If a licensee is a firm, association or corporation, it shall be sufficient cause for the suspension or revocation of its license that any officer, director or trustee of a licensee firm, association or corporation, or any member of a licensee partnership, has so acted or failed to act as would be cause for suspending or revoking a license to such party as an individual. Each licensee shall be responsible for the acts of any of his employees while acting as his agent, if such licensee after actual knowledge of said acts retained the benefits, proceeds, profits or advantages accruing from said acts or otherwise ratified said acts.

Section 8. Revocation or Suspension of License; Procedure. — No license shall be suspended or revoked except after hearing thereon by the commissioner or such of his assistants as he may designate. The commissioner shall give the licensee at least ten days written notice, in the form of an order to show cause, of the time and place of such hearing by registered mail addressed to the principal place of business in this Commonwealth of such licensee. The said notice shall contain the grounds of complaint against the licensee. Any order sus-

pending or revoking such license shall recite the grounds upon which the same is based. The order shall be entered upon the records of the commissioner and shall not be effective until after thirty days written notice thereof given after such entry forwarded by registered mail to the licensee at such principal place of business. No revocation, suspension or surrender of any license shall impair or affect the obligation of any lawful retail installment contract acquired previously thereto by the licensee. Within thirty days after such suspension or revocation the person aggrieved thereby may appeal to the Superior Court for the County of Suffolk, sitting in equity. The court shall hear all pertinent evidence and determine the facts, and upon the facts as so determined review said suspension or revocation and, as justice and equity may require, affirm the same or order that the commissioner rescind it.

Section 9. Form and Contents Installment Sales Agreement; Delivery of Copy to Buyer. — A. Every retail installment sales agreement shall consist of a single writing signed by the installment seller and the installment buyer. The printed terms of the agreement shall be set in ten point standard type. The printed or written terms shall appear on only one side of each page.

B. Every retail installment sales agreement shall include the date when signed, the names and addresses of the installment seller and the installment buyer, a description of the goods or services purchased, a description of collateral securing the installment buyer's obligations under the agreement, if any, and, at the top of the first page of the agreement in eighteen point extra bold type the words "Retail Installment Sales Agreement — The Terms of this Agreement are Regulated by State Law."

C. There shall be included on the first page of every installment sales agreement in the following order the dollar amounts of the following items, such items to be so designated:

(1) Cash sale price of the goods or services or both;

(2) Any charges for delivery, installation, repair, or other services upon the goods which are included in the agreement separate from the cash price;

(3) Any sale, excise or other taxes not included in the cash sale price;

(4) The sum of items (1), (2), and (3);

(5) The amount of the buyer's down payment whether paid in cash or represented by the agreed value of goods or both, together with a statement of the respective amounts credited for cash and for goods and a description of the goods, if any, sufficient to identify them;

(6) The unpaid balance of the cash sale price payable by the buyer to the seller, which is item (4) less item (5);

(7) The charge to the installment buyer for insurance, if any, with a specification of the coverage and benefits in simple terms;

(8) The amount of official fees, if any, for which the buyer is charged and which will actually be paid to public officials for filing or recording the installment sales agreement or instruments securing the buyer's obligation;

(9) The principal balance owed, which is the sum of items (6), (7), and (8);

(10) The total finance charge;

(11) The time balance owed by the buyer to the seller which is the sum of items (9) and (10), the number of installment payments required to pay it, and the amount and time of each payment;

(12) In a contract for the sale of a motor vehicle, there shall be contained a specific statement that liability insurance coverage for bodily injury and property damage caused to others is not included in any charge for insurance, if that is the case.

D. Notice to Buyer. — Every installment sales agreement shall contain the following notice in 12 point bold type or larger directly above the space reserved in the agreement for the signature of the buyer: Notice to Buyer:

(1) Do not sign this agreement if it contains any blank spaces.

(2) You are entitled to a copy of this agreement at the time you sign it.

(3) You have a right at any time to pay off the full unpaid balance due under this agreement and in so doing you will receive a partial rebate of the finance and insurance charges.

(4) You have a right under certain circumstances to redeem the property if repossessed because of your default.

(5) You may, under certain conditions, require a resale of the property if repossessed.

(6) The seller has no right to unlawfully enter your premises or commit any breach of the peace to repossess goods purchased under this agreement.

(7) You have the right to cancel this agreement by notifying the seller within forty-eight hours after signing providing, however, that you have not received before cancelling, a substantial part of the goods or services purchased under this agreement. If these conditions are met and you avail yourself of this right to cancel, you are entitled to a refund, within ten days after you so notify the seller of your desire to cancel, of ninety per cent of any deposit you have made.

E. Delivery of Copy to Buyer.— (1) At or before the time the buyer signs the instrument the seller shall deliver to him an exact copy of it. If that copy was not executed by the seller, then unless the seller within fifteen days after the buyer has signed, delivers to him a copy of the instrument signed by the seller, the agreement and the instruments signed by the buyer shall be voidable at the option of the buyer, and the seller shall immediately refund to the buyer all payments and deposits theretofore made.

(2) Until the buyer signs an installment sales agreement and receives a copy of it signed by the seller, the buyer or prospective buyer has an unconditional right to cancel the agreement and to receive immediate refund of all payments and deposits made on account of or in contemplation of the agreement; a request for such refund shall operate to cancel the agreement or prospective agreement. When any such payment or deposit is accepted by the seller from a buyer or prospective buyer, the seller shall immediately deliver to him a receipt therefor which clearly states in 12 point type or larger his rights under paragraph 1 above.

Section 10. Prohibited Terms in the Retail Installment Sales Agreement.—A. No seller, sales finance company or holder shall at any time take or receive any retail installment sales agreement from a buyer or from any surety or guarantor for the buyer which contains:

(1) Any blank spaces to be filled in after such agreement has been signed by any party thereto, except that if an installment sales agreement contains, at the time of execution, a sufficient description of the goods pursuant to section nine fur-

ther serial numbers or other identifying marks on the goods may be inserted in the agreement upon the delivery of the goods;

(2) Any confession of judgment or any power or warrant of attorney to appear for the buyer or for any surety or guarantor for him to confess judgment;

(3) Any schedule of payments under which any installment (except the down payment) is more than double the average of all other installments (excluding the down payment), or the interval between any consecutive installments is less than one-half the average of all other such intervals, unless the buyer is given an absolute right upon default in any such excess or irregular installments, to have the schedule of unpaid installments (including that in default) revised to conform in both amounts and intervals to the average of all preceding installments and intervals;

(4) Any provision for repossession of the goods or for the acceleration of the time when any part or all of the time balance becomes payable, if the condition of such repossession or acceleration is in substance that the seller or holder deems himself to be insecure;

(5) Any provision by which an installment buyer grants authority to the holder to unlawfully enter the installment buyer's premises or commit any breach of peace in the repossession of the collateral, if any;

(6) Any waiver of rights or remedies which the installment buyer may have against the seller or holder of the installment sales contract, or other person acting in his behalf, for any illegal act committed in the collection of payments under the contract or in the repossession of the collateral, if any;

(7) Any provision whereby the installment buyer executes a power of attorney appointing the seller or holder of the contract, or other person acting in his behalf, as the buyer's agent in the collection of payments under the contract or in the repossession of the collateral security; or

(8) Any assignment, or order, for payment of any salary, wages, commission or other compensation for services or any part thereof earned or to be earned.

Section 11. Finance Charges. — A. The finance charge which a retail seller may charge, receive and collect shall be inclusive of all charges incident to investigating and making

the contract, and for the extension of the credit provided for in the contract and no fee, expense or other charge whatsoever shall be taken, received, reserved or contracted for except as provided in this section and in sections sixteen, seventeen and eighteen, and for those items expressly provided for in the retail installment contract as set forth in section nine.

B. A retail seller at the time of making any retail installment sale, other than a sale of a motor vehicle, may charge or contract for:

(1) The payment of a finance charge by the retail installment buyer, which shall not exceed the following:

(*a*) a base finance charge for goods or services or both purchased under a retail installment sales agreement which shall not exceed a simple annual interest rate of eight per cent. The simple annual interest rate, which shall always be expressed by per cent, shall be computed by the following formula:

$$R = \frac{2PC}{A(N+1)}$$

R equals the simple annual interest rate. P equals the number of payment periods in one year exclusive of the down payment. (Always 12 if monthly payments are made, 4 if quarterly payments, and 52 if weekly payments.) C equals the finance charge, A equals the amount borrowed, N equals the number of installments; and

(*b*) a service charge of fifty cents per month for the first fifty dollar unit or fraction thereof, of the principal balance for each month of the term of the installment contract and an additional service charge of twenty-five cents per month for each of the next five fifty dollar units or fraction thereof, of the principal balance for each month of the term of the installment contract. Such base finance charge and service charges may be computed on a basis of a full month for any fractional period in excess of ten days. For a fractional period of a month not in excess of ten days there shall be no base finance charge or service charge.

C. A retail installment seller may charge, collect and receive a finance charge at the following rates on the sale of motor vehicles:

Class 1 — for any new motor vehicle designated by the manufacturer by a year model not earlier than the year in

which the sale is made, or a used motor vehicle of the same year which has not previously been the subject of a retail sale, not more than eight dollars per one hundred dollars per year.

Class 2 — for any new motor vehicle not in Class one and any used vehicle designated by the manufacturer by a year model of the same or not more than two years prior to the year in which the sale is made, not more than ten dollars per one hundred dollars per year.

Class 3 — for any used motor vehicle not in Class one or Class 2 not more than twelve dollars per one hundred dollars per year.

Section 12. Payments; Receipts.—A. When any payment is made on account of any installment agreement, the person receiving such payment shall, upon request or without request if the payment is made in cash, give the buyer a complete written receipt therefor. If the buyer specifies that the payment is made on one of several obligations the receipt shall so state.

B. Unless written notice has been given to the buyer of actual or intended assignment of an installment agreement, the buyer may pay or tender any amount due thereunder or give any notice required or permitted by the agreement, or this chapter, to the last known holder of such agreement and such payment, tender or notice shall be binding upon any subsequent holder or assignee, as fully as if made to him.

Section 13. Prepayments. — Notwithstanding the provisions of any agreement to the contrary, an installment buyer may at any time prepay all or any part of the unpaid time balance to become payable under an installment sales agreement.

If the buyer pays the time balance in full before maturity the holder shall forthwith refund to him, or credit him with a portion of the finance charge. The amount of such refund or credit shall represent at least as great a proportion of the total amount of the finance charge, after first deducting from such finance charge an acquisition charge in the case of motor vehicles of twelve dollars and fifty cents and in other cases five dollars, as the sum of the scheduled periodic unpaid time balances after the date of prepayment, as the date of prepayment is fixed below, bears to the sum of the scheduled periodic unpaid time balances under the schedule of installments in the original contract, such computation of rebate shall be made

on the principle of the so-called "Sum of the Digits Method" or "The Rule of 78". If the prepayment is made other than on an installment due date it shall be deemed to have been made on the first installment due date if the prepayment is before that date, and in any other case it shall be deemed to have been made on the next preceding or next succeeding installment due date, whichever is nearer to the date of prepayment. Where the amount of the refund or credit for anticipation of payment is less than one dollar, no refund need be made.

Section 14. Right to cancel. — A. The installment buyer shall have the right to cancel the retail installment agreement for other than the installment seller's breach and the seller shall refund to the buyer within ten days after such cancellation at least ninety per cent of all deposits, including any down-payment, made under the agreement, whenever;

(1) The seller has not signed and delivered a copy of the installment sales agreement within fifteen days after the buyer has signed the instrument;

(2) The installment buyer notifies the installment seller of his desire to cancel the agreement before receipt or tender of a substantial part of the goods or services or both and within forty-eight hours after signing the agreement.

B. If the installment seller fails to deliver or mail to the buyer on or before the time of the delivery of the goods or services contracted for a copy of the contract signed by the seller, the buyer shall have the right to refuse to take delivery of the goods or services and shall be entitled to receive an immediate refund of all payments made and redelivery of any goods traded in to the seller on account or in contemplation of the contract, or if said goods so traded in have been sold by the seller in a bona fide sale, which sale shall not take place for at least ten days unless the seller has delivered to the buyer a full and complete copy of the contract as required herein, the proceeds thereof, less the expenses incurred by the seller in connection with such sale, including the cost of any repairs made to such property to make it ready for sale; provided, however, that if delivery of the goods is accepted by the buyer he shall not be entitled to the benefit of penalties otherwise provided for herein.

C. The installment buyer shall incur no additional liability for a cancellation pursuant to this section.

Section 15. Prohibition of Add-on Contracts.—Except as provided in section twenty-six, no installment sales agreement shall by its terms permit the inclusion of additional goods purchased after the original agreement. Any provision of a security agreement providing for a purchase money security interest in household furniture, jewelry or other household or personal effects at a price of less than one thousand dollars which purports to provide for the inclusion of any personal property, other than that sold for said purchase price, as security for payment of such price or any part thereof shall be null and void; but the other provisions of such agreement shall not be affected thereby.

Section 16. Refinancing and Extensions.—A. Any agreement between the installment buyer and holder refinancing the payment of amounts unpaid by an installment buyer under a retail installment sales agreement shall be subject to the provisions and penalties of this chapter.

B. The holder of an installment sales contract may, upon agreement with the buyer, defer the scheduled payment of all or part of any unpaid installment payment or payments, or renew the unpaid installment payment or payments, or renew the unpaid time balance of such contract. The agreement for such deferment or renewal shall be in writing and signed by the parties thereto.

C. For such renewal the holder may contract for and collect a refinance charge. Such refinance charge shall be computed on the amount obtained by adding to the unpaid time balance of the contract the insurance cost incidental to refinancing, and by deducting any rebate computed in accordance with the provisions of section thirteen which may be due to the buyer for prepayment incidental to refinancing, at the rate of the finance charge in the original contract, for the term of the renewal contract, and subject to the proivsions of this chapter governing computation of the original finance charge; provided, however, that the holder shall not be allowed the acquisition cost referred to in section thirteen, above.

D. For such deferment the holder may contract for and collect a deferment charge. Such deferment charge shall not exceed an amount equal to one per cent per month simple in-

terest on the amount of the installment or installments, or part thereof, deferred for the period of deferment. No deferment charge shall be made on any installment for which a default charge has been made unless the default charge on such installment is rebated in full. If a contract is prepaid in full during a deferment period the buyer shall receive, in addition to the refund required under section thirteen, the refund of that portion of the deferment charge applicable to any unexpired months of the deferment period.

Section 17. Statements. — A. Within the six months after the execution of the retail installment sales agreement and within every sixth month thereafter until the installment buyer has discharged all his obligations under the agreement, the holder shall send to the installment buyer upon request a statement of account which shall list the following items designated as such:

(1) The amounts paid by or on behalf of the buyer and the allocation thereof between principal obligations and charges for delinquencies, extensions, and refunds, to the date of the statement of account;

(2) The amounts, if any, which have become due but remain unpaid and the allocation thereof between principal obligations and charges for delinquencies, expenses of repossessions, extensions, and refund;

(3) The number of installment payments and the dollar amount of each installment not due but still to be paid and the remaining period the agreement is to run;

(4) The finance charges paid, if any, during the prior calendar year.

B. The buyer shall be entitled to only one such statement in any six-month period free of charge. The holder shall be entitled to the sum of fifty cents for each additional written statement requested by the buyer before supplying such additional written statement.

Section 18. Delinquency and Collection Charge.—The holder of a retail installment contract may, if the contract so provides, collect a delinquency and collection charge on each installment in default for a period not less than fifteen days in an amount not in excess of five per cent of each installment or five dollars, whichever is less.

Section 19. Repossession. — A. *When seller may repossess.* — When the buyer is in default in the payment of any sum due under the installment agreement, or in the performance of any other condition which it lawfully requires him to perform in order to obtain title to the goods, or in the performance of any promise the breach of which is, by the agreement, expressly made a ground for repossessing such goods, the holder may repossess the goods. Unless the goods can be repossessed without use of force, they shall be repossessed by legal process.

B. *Notice of intention to repossess.* — The holder, at least twenty-one days before he repossesses the goods, must first serve written notice on the buyer of his intention to repossess. The notice shall state the default and the period, if any, at the end of which the goods will be repossessed, and shall briefly state the buyer's rights in case the goods are repossessed. Such notice may be delivered to the buyer personally or be sent by registered or certified mail to his last known address.

C. *Notice after repossession.* — Within five days after goods are repossessed, the holder shall deliver to the buyer personally, or send to him by registered or certified mail to his last known address, a written notice stating briefly (1) the buyer's right to redeem and the amount payable therefor; (2) the buyer's rights as to a resale and his liability for a deficiency; and (3) the exact address where the goods are stored and the exact address where any payment is to be made or notice delivered.

D. *Sale of collateral.* — After default and repossession of the collateral and subject to the provisions of this section and section 20, the holder may sell or otherwise dispose of the collateral, such sale or disposition to be carried out in a commercially reasonable manner. The proceeds of any disposition shall be applied in the following order:

(1) Reasonable expenses of the disposition.

(2) Reasonable expenses of repossession, holding and preparation of the collateral for disposition including reasonable attorney's fees where the attorney is not employed regularly by the holder.

(3) Satisfaction of the unpaid installment sale price and delinquency charges less finance charges and insurance premiums allocable to installments due after repossession as determined in section 13.

(4) Surplus, if any, to the installment buyer without request.

E. *Deficiency judgments.* — No court shall enter a deficiency judgment against an installment buyer which includes the finance charge and insurance premiums allocable to installments due after repossession as determined in section thirteen of this act.

F. *Penalties.* — Repossession without complying with the requirements of sub-sections B and C of this section shall subject the holder to a penalty to the installment buyer of an amount equal to fifty per cent of the fair market value of the collateral at time of repossession and in addition the installment buyer may sue the holder for conversion of the collateral.

Failure of the holder to comply with sub-section D shall subject the holder to a penalty to the installment buyer of five hundred dollars.

Section 20. Redemption. — A. The holder shall retain repossessed goods for fifteen days after notice has been delivered pursuant to section nineteen (C.), within the county where they were located when repossessed or within the county where they were sold, during which period the buyer may redeem the goods and become entitled to take possession of them and to continue in the performance of the agreement. To redeem the goods the buyer shall:

(1) Pay or tender the amount due at the time of redemption under the agreement, without giving effect to any provision thereof for accelerating all or any part of the installments otherwise payable after that time; and

(2) Perform or tender performance of any other promise for the breach of which the goods were repossessed; and

(3) Pay the actual and reasonable expenses of retaking and storing the goods.

B. This section shall not apply and no such right of redemption shall exist if the buyer was guilty of fraudulent conduct, or intentionally and wrongfully concealed, removed, damaged, or destroyed the goods, or attempted so to do, and the goods were repossessed because of such conduct.

Section 21. Separate Notes. — A. If, as part of an installment transaction, a note is taken by the seller or finance company, such note shall refer to the installment agreement out of which it arises and, in the hands of any subsequent holder, such note shall be subject to all defenses which the buyer

might have asserted against the seller or finance company, except that an acknowledgment of delivery of a copy of the agreement by the buyer pursuant to section nine shall be conclusive proof of such delivery in favor of any assignee of such note without actual knowledge to the contrary.

B. Provisions in the note excluding or modifying warranties made by the installment seller in connection with the retail installment sale to the installment buyer and provisions in the note inconsistent with the provisions of this chapter shall be unenforceable.

Section 22. Advertising. — No seller or sales finance company shall in any advertisement, publication, display, broadcast, solicitation, or representation, make any false, misleading or deceptive statement concerning any finance, delinquency, or extension charge, or rate, or the security interest, collateral, terms, or conditions upon which it will make any installment agreement or finance the same. Any advertisement, publication, display, solicitation, or representation, in relation to a percentage finance charge is presumed to be misleading if expressed otherwise than in terms of the percentage that the finance charge, as defined in section eleven, bears to the total amount to be financed, expressed as a simple annual rate on the average outstanding unpaid balance of the obligation.

Section 23. Waivers by Buyer. — No act, agreement or statement of any buyer in any installment agreement shall constitute a valid waiver of any benefit or protection afforded by the provisions of this chapter.

Section 24. Holder. — Any holder of a retail installment sales agreement, or of a note evidencing indebtedness arising out of such agreement, shall be subject to the provisions of this chapter.

Section 25. Insurance. — A. *Premium.* — Where a seller or sales finance company undertakes to sell, purchase, or supply insurance on the goods sold, or on which services were rendered, under a retail installment agreement, at the buyer's expense, the amount charged any installment buyer for such insurance shall not exceed the premium actually payable by the seller or sales finance company and in no event more than the premium chargeable in accordance with the rates filed with the commissioner of insurance.

B. If dual interest insurance on the goods is purchased by the holder it shall, within thirty days after the execution of the retail installment contract, send or cause to be sent to the buyer a copy of the policy or policies of insurance, written by an insurance company authorized to do business in the commonwealth. The buyer shall have the privilege of purchasing such insurance from the agent or broker of his own selection, but in such case the inclusion of the insurance premium in the retail installment contract shall be optional with the seller. If the buyer selects his own licensed agent or broker there shall be no obligation on the seller or sales finance company to forward a copy of the policy or policies to the buyer.

C. In the event the charge or any portion thereof for insurance on the life of the borrower issued under subdivision (*c*) of section one hundred and thirty-three of the General Laws, chapter one hundred and seventy-five is paid by him to the creditor, it shall not be deemed a charge in violation of section eleven if the creditor charges the borrower for such insurance coverage not more than fifty cents per one hundred dollars per year of the sum of the agreed monthly installments contracted to be paid and proportionately at such rates for greater or lesser periods and for greater or lesser amounts of such life insurance coverage, regardless of the cost of such insurance to the creditor. In the event of prepayment of the contract there shall be a refund of the charge for such insurance computed on the same basis as it used for a refund under the provisions of section thirteen. The amount of death benefit payable shall at no time be less than the unextinguished debt including unearned finance charges, which shall be refunded to the estate as of the date of death.

D. Any cancellation, surrender, or other refunds, and all dividends, received under such policies by the seller or any holder of the agreement shall forthwith be remitted to the buyer, or credited against any amounts then due under the agreement by the buyer to the seller or holder except to the extent applied toward payment for similar insurance protecting the interests of the buyer and the holder or either of them.

Section 26. Revolving Credit Agreements. — A. Any agreement creating a revolving credit account shall be subject to all the provisions and penalties of this Act except the phrase

"a description of the goods and services purchased" in section nine (B), sections eleven, thirteen and seventeen.

B. The installment seller may assess a finance charge upon the installment buyer which shall not exceed one and one-half per cent per month computed upon the outstanding unpaid balance at the end of the monthly period.

C. The installment seller under this section shall furnish the installment buyer a monthly statement of account which shall include:

(1) The outstanding unpaid balance at the end of the current monthly period.

(2) The finance charge thereon in both dollars and per cent.

(3) The amount of payments made during this period.

(4) A description and the cash price of goods purchased during the current period.

(5) An enumeration of any other charges.

Section 27. Refund of Recording and Filing Fees.—If the holder does not actually pay out to a public official the sums charged the buyer for filing and recording instruments, the buyer shall receive credit for the full amount charged him for this purpose, or for any balance thereof not so applied, which amount shall be credited against the last installment, or, if greater than such installment, against the last installments payable by him.

Section 28. Full Payment by Buyer; Duty of Holder of Retail Installment Contract.—After payment of all sums for which the buyer is obligated under a retail installment contract, the holder of such contract shall mail to the buyer at his last known address, good and sufficient instruments to indicate payment in full and to release all security in the collateral, if any.

Section 29. Violation of Sections Nine to Twelve, Fifteen, Sixteen, and Eighteen.—The violation of sections nine to twelve, fifteen, sixteen and eighteen, inclusive, by any person shall bar his recovery of any finance charge, delinquency or collection charge or refinancing charge on the retail installment contract involved.

Section 30. Penalties. — Whoever violates any provision of this chapter or any rule or regulation made thereunder by the commissioner shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than six months or both.

Section 31. Severability. — If any provision of this chapter, or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the remainder of this chapter or the application of such provision to other persons or other circumstances.

This Rebate Chart is Based on the "78's Method" and conforms to the formula prescribed by New York State Law for credit service charge refunds due buyers upon prepayment of contracts or obligations. To determine the amount of refund, locate the original term of your contract in column "A", then locate the number of months the contract has run in column series "B". The figure where these lines intersect is the rebate percentage factor. Now, multiply the credit service charge *(Less $15.00 in the case of motor vehicle contracts)* by the rebate factor and the product is the amount of the rebate. Late charges, if any, should then be deducted. No rebate need be given if rebate is less than $1.00.

"A" THE TOTAL NO. OF MONTHS CONTRACT	"B" NUMBER OF MONTHS CONTRACT HAS RUN																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
1	0																								
2	21.33	0																							
3	40.00	18.67	0																						
4	60.00	40.00	20.00	0																					
5	71.43	47.62	23.81	0	0																				
6	78.00	52.00	26.00	8.67	8.67	0																			
7	82.50	55.00	27.50	16.50	11.00	5.50	0																		
8	86.00	57.33	28.67	17.20	11.47	8.60	5.73	0																	
9	88.67	59.11	29.56	17.73	11.82	8.87	5.91	2.96	0																
10	90.91	60.61	30.30	18.18	12.12	9.09	6.06	3.03	1.52	0															
11	92.73	61.82	30.91	18.55	12.36	9.27	6.18	3.09	1.55	0	0														
12	94.33	62.89	31.44	18.87	12.58	9.43	6.29	3.14	1.57	0	0	0													
13	95.71	63.81	31.90	19.14	12.76	9.57	6.38	3.19	1.60	0	0	0	0												
14	96.92	64.62	32.31	19.38	12.92	9.69	6.46	3.23	1.62	0	0	0	0	0											
15	97.98	65.32	32.66	19.59	13.06	9.80	6.53	3.27	1.63	0	0	0	0	0	0										
16	98.93	65.95	32.98	19.79	13.19	9.89	6.60	3.30	1.65	0	0	0	0	0	0	0									
17	99.78	66.52	33.26	19.96	13.30	9.98	6.65	3.33	1.66	0	0	0	0	0	0	0	0								
18	100.53	67.02	33.51	20.11	13.40	10.05	6.70	3.35	1.68	0	0	0	0	0	0	0	0	0							
19	101.21	67.47	33.74	20.24	13.49	10.12	6.75	3.37	1.69	0	0	0	0	0	0	0	0	0	0						
20	101.82	67.88	33.94	20.36	13.58	10.18	6.79	3.39	1.70	0	0	0	0	0	0	0	0	0	0	0					
21	102.37	68.25	34.12	20.47	13.65	10.24	6.82	3.41	1.71	0	0	0	0	0	0	0	0	0	0	0	0				
22	102.87	68.58	34.29	20.57	13.72	10.29	6.86	3.43	1.72	0	0	0	0	0	0	0	0	0	0	0	0	0			
23	103.32	68.88	34.44	20.66	13.78	10.33	6.89	3.44	1.72	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
24	103.73	69.15	34.57	20.74	13.83	10.37	6.91	3.46	1.73	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

CONSUMERS CREDIT GUIDE

KNOW YOUR LEGAL RIGHTS

When You Buy On Time
When You Finance Insurance Premiums

The State of New York now gives you broad protection when you buy goods and services on time, or finance your insurance premiums.

The Retail Instalment Sales Laws will not protect you automatically — you must assume some of the responsibility. You should know what the law requires in an instalment contract. Before you sign — you must *read your contract* to see that it complies with the law and that it reflects your entire agreement with the seller.

This Administration wants to protect both the consumer and the honest seller by eliminating the dishonest dealer element from the retail instalment field. This goal can be accomplished only with the cooperation of consumers who know and insist upon their legal rights when buying on time.

This booklet is not intended to be a detailed legal analysis of all the Retail Instalment Sales Laws. Rather it is designed to help you, the consumer, do two things intelligently: (1) decide whether you want to spend the extra money it usually costs to buy on time, and if so, (2) determine whether the seller is complying with the law in connection with your instalment contract or revolving charge account.

Read this booklet carefully. It will prove most valuable to you whenever you decide to purchase goods or services on time, or to finance your insurance premiums.

STATE OF NEW YORK BANKING DEPARTMENT
100 Church Street
New York 7, New York

NELSON A. ROCKEFELLER
Governor

OREN ROOT
Superintendent of Banks

THE MOTOR VEHICLE RETAIL INSTALMENT SALES ACT AND THE RETAIL INSTALMENT SALES ACT contain the laws which regulate the retail instalment sales of motor vehicles, and goods and services purchased in this State for other than commercial or business use. The highlights of these laws are given in this booklet; as a summary, it cannot, of course, include all the rights afforded you. Each of these laws covers similar areas, and wherever there may be differences, these will be pointed out in the pages that follow.

WHAT KINDS OF CREDIT SALES DO THESE LAWS COVER?

1. Motor vehicles, new and used, bought for personal use pursuant to a retail instalment contract.
2. Goods, services, home improvements and merchandise certificates purchased for personal use pursuant to a retail instalment contract or retail instalment obligation whereby the buyer agrees to make payments based on the terms set forth therein.
3. "Revolving Credit", where the seller extends credit in a certain amount to a buyer over a period of time to be repaid in monthly instalments, together with a service charge on outstanding monthly balances for goods and services actually bought pursuant to the terms of a retail instalment credit agreement.

LOOK FOR AND HEED "NOTICE TO THE BUYER"

Before you sign a retail instalment contract or obligation *look for and read* the "Notice to the Buyer". It will help remind you of some of your rights under the law.

Every contract or obligation must have the following notice containing this language:



NOTICE TO THE BUYER:

1. Do not sign this agreement before you read it or if it contains any blank space.
2. You are entitled to a completely filled in copy of this agreement.
3. Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the credit service charge.

In case of a motor vehicle retail instalment contract, the preceding notice must also contain the following statement:

4. According to law you have the privilege of purchasing the insurance on the motor vehicle provided for in this contract from an agent or broker of your own selection.

An executed copy of the retail instalment contract or obligation must be delivered to you or mailed to your address as shown thereon. Until it is so delivered or mailed, unless you have taken possession of the car or goods or received the services, you have an unconditional right to cancel the contract or obligation and receive an immediate refund of all payments you have made and the return of all goods or vehicles traded-in in contemplation of the contract or obligation.

WHAT TERMS MUST BE SET FORTH IN THE CONTRACT OR OBLIGATION?

Before you sign a contract or obligation make sure that it sets forth the following items as required by law:



1. *Names and Addresses:* Yours and the seller's.
2. *Description of goods or services:* So you will know exactly what you are buying and are entitled to receive from the seller.
3. *Cash sale price:* This is the full price you would have to pay if you bought for cash.
4. *Down payment:* The sum of money you pay in cash or the equivalent of cash, such as goods or vehicles traded-in. It must contain a brief description of the trade-in.
5. *The difference* between the cash sale price (3) and the down payment (4).
6. *Amount for insurance:* If the seller provides insurance to be paid for by the buyer, it must specify what the insurance covers and the cost of each kind of coverage.
7. *Official Fees:* If any, payable to a public officer such as the county clerk for recording the contract.
8. *Principal (unpaid) Balance:* Money you owe for the car, goods or services, plus the amount for insurance and official fees, if any.

9. *Credit Service Charge Amount:* The price you pay for the privilege of buying on time.
10. *Time Balance:* The total amount you owe the seller. It includes the principal (unpaid) balance (8) and the credit service charge (9).
11. *Instalment Payments:* The number of payments you must make, and the amount you must pay monthly, semi-monthly or weekly.
12. *Time Sale Price:* The total cost of the goods when you buy them on time. It includes the cash price of the car, goods or service, including the down payment, plus the credit service charge and the insurance and official fees, if any.

To find out what it is costing you to buy the article on time, compare the *Time Sale Price* (12) with the *Cash Sale Price* (3).

READ THE CONTRACT CAREFULLY. REFUSE TO SIGN IT IF IT CONTAINS BLANK SPACES. DO NOT RELY ON ANY VERBAL STATEMENTS OR PROMISES OF SALESMEN. MAKE SURE THE DOCUMENT REFLECTS YOUR ENTIRE AGREEMENT WITH THE SELLER.



WHAT ARE THE LEGAL MAXIMUM CREDIT SERVICE CHARGES ON INSTALMENT SALES?



You should understand that the courts have decided, in numerous cases, that the credit service charge imposed in connection with instalment sales is not construed to be "interest" and therefore the usury laws which govern loans of money do not apply. However, such charges are subject to legal limits.

It is to your advantage to know the maximum credit service charge which the retail instalment

sales laws allow to retail sellers. In schedules I and II, the service charge is based on the amount of the unpaid balance at the time of purchase and the number of months the contract is to run.

Schedule I. These rates are the highest credit service charges that can legally be made when you buy a *motor vehicle* on time. The credit service charge may not exceed the following rates per $100 of principal balance:

a. For new cars of the current year—not more than $7.00 a year.
b. For other new cars, and used cars of the current year or the two previous years, not more than $10.00 a year.
c. For all other used cars, not more than $13.00 a year.
d. The credit service charge on insurance premiums included in your contract may not exceed $7.00 per $100 per year, *regardless of the age of the car.*

If the instalment payments cover a period exceeding or less than a year, the credit service charge must be computed proportionately.

Schedule II. Credit service charges for *goods* (other than motor vehicles) *and services*, purchased under the terms of a retail instalment contract or obligation, may not exceed the following rates per annum (adjusted proportionately for longer or shorter periods):

a. Where the principal balance is $500 or less, $10 per $100 per year.
b. Where the principal balance exceeds $500, $8 per $100 on the excess over $500 per year.
c. The law allows a minimum credit service charge of $10 in the case of a contract or obligation arranged to be repaid in 8 months or less. Where the contract or obligation is arranged to be repaid in more than 8 months, a $12 minimum credit service charge is permitted.

If the seller has agreed to waive the credit service charge provided you pay your purchase in 30, 60 or 90 days, make sure the contract clearly contains this agreement.

Schedule III. In the case of purchases of goods or services made pursuant to the terms of retail instalment credit agreements (commonly called "Revolving Credit" accounts) the service charge may not exceed the following rates:

a. 1 1/2% per month on outstanding balances of $500 or less.
b. 1% per month on amounts in excess of $500.
c. If the service charge so computed amounts to less than $.70 for any month, then a minimum charge of $.70 is allowed.

REFUND OF CREDIT SERVICE CHARGE ON PREPAYMENT

You have the right to pay the contract or obligation in full at any time before the date of the final payment thereunder regardless of what may be stated to the contrary therein. If you are able to repay your debt before the maturity date, you are entitled to such refund of the credit service charge, if any, as is determined by a formula prescribed by law. It is *important to remember that no refund of the credit service charge is due you if only the applicable minimum has been imposed on your contract or obligation.*



The rebate formula prescribed by law is known as the "78's or Sum of the Digits Method". This method recognizes the fact that when a debt is repayable in instalments, the buyer has the use of the greatest amount of credit during the period from the inception of the credit to the date of the first payment thereunder and that with each successive payment he has the use of a lesser amount of credit. Consequently, the seller is entitled to earn the greatest amount of credit service charge during the period of time preceding the first payment and correspondingly lesser amounts for the relative periods subsequent to each successive payment. The following example of a 24 month contract prepaid in 12 months should serve to clarify the application of the statutory rebate formula:

Principal amount of goods financed	$250.00
Maximum credit service charge for 24 months	50.00
Time balance payable in 24 monthly payments of $12.50	$300.00
Unpaid balance after 12 payments of $12.50 each	150.00
Refund of 26% of the credit service charge due you as provided by law	13.00
Pay-off figure to complete indebtedness at end of 12 months	$137.00

When the financing agency uses your $137.00 to finance another buyer's purchase of goods for the 12 months period which you anticipated, the most it can legally charge (earn) thereon is $13.70. You, therefore, cannot reasonably expect to receive a rebate greater than the amount that the financing agency can earn during the remaining months of your contract on the money you are returning.

Since there are no minimum credit charges allowed in the case of *motor vehicle* retail instalment contracts, the law permits the holder of your contract, at the time of prepayment, to deduct the sum of $15 (as an acquisition charge) from the credit service charge *before* computing the amount of your refund.

(Retain this booklet and consult the prepayment rebate chart printed on the back cover to ascertain the rebate due you whenever you prepay any instalment purchase whose original term did not exceed 24 months.)

FINANCING AGENCIES

Nowadays, nearly all instalment contracts are sold by the dealers to a bank or sales finance company, which then becomes the "holder" or "assignee". When the holder mails you a notice that he has purchased your contract, you must make your future instalment payments to the holder (or the person he designates) who, thereafter, providing he has acquired the contract in good faith and for value, is entitled to collect full payment of your debt. This is so regardless of whether the goods are satisfactory or the car performs well, *unless you inform the holder in writing within ten days from the date the holder mails you his notice of assignment, that something is wrong.* If you so

inform the holder, you will have the same rights against him that you have against the seller. The notice of assignment must inform you of these rights and must contain a detailed financial statement of your transaction. Note that an assignment does not free the seller of the car or goods from existing responsibility for the quality of his merchandise or any of his other agreements with you.

All sales finance companies which buy any retail instalment contracts, obligations or credit agreements in this State, must be licensed by the New York State Superintendent of Banks who has supervisory and examining powers over them.



WHAT HAPPENS IF YOU DEFAULT ON PAYMENTS OR OTHER OBLIGATIONS?

If your document so provides, and you default on an instalment payment under a contract or obligation for a period of ten days, a delinquency charge which may not exceed 5% of each such late instalment or $5, whichever is less, can be collected from you. You should pay each late charge *only once* regardless of how long the payment has been due.

No such late charges can be imposed in connection with payments due under a retail instalment credit agreement ("revolving credit" account). If you fail to make the monthly payment it becomes part of and increases your next month's "outstanding indebtedness" upon which your monthly service charge is computed.

Should your creditor or the holder finally refer your debt to an outside attorney for collection, you may be charged an attorney's fee equivalent to 15% of the amount due in the case of a motor vehicle purchase, and 20% in all other purchases of goods and services. If the claim is reduced to judgment, you will also be liable for statutory

court costs plus marshal's or sheriff's fees if your salary is garnisheed.

REPOSSESSION OF YOUR CAR OR THE GOODS BOUGHT ON TIME

In the case of default on any payment, or in certain other special circumstances, the holder of your contract can legally repossess the car or goods, without court order, provided that no breach of the peace is involved.

If the seller or holder repossesses the car or goods you may redeem the repossessed article within a 10 day period, provided you pay all your past due instalments together with the "reasonable" costs of retaking, keeping and storage.

Repossession of the car or goods does *not* relieve you of further responsibility for the unpaid balance. Regardless of the amount paid in, if the seller or holder resells the repossessed article, as provided by law, you may find that you still owe a considerable amount of your original debt as a deficiency, even though you have lost the car or goods. The deficiency amount can be collected by the holder through appropriate court action. This fact should point out to you the importance of being reasonably sure that you will be able to meet all payments before you buy anything on instalment.

REFINANCING UNPAID TIME BALANCE

If both you and the seller or holder agree, the unpaid balance on a contract or obligation may be refinanced or payments may be extended. The law provides ceilings on extension and refinance charges. Charges for extension or deferral of instalment payments are limited to 1% per month on the actual amount extended or deferred for the particular period of extension or deferral. If a contract or obligation is "refinanced" by setting up a new schedule of instalments, a refund credit of the credit service charge must first be calculated in the prescribed statutory manner as though prepayment were being made, and then new terms must be arranged as though a new contract were being written.

PROHIBITED CONTRACT PROVISIONS

Over the years there has developed a practice of including certain clauses in the contract which in some cases has led to abuses against the buyer.

Certain of these clauses are now unenforceable or prohibited in this State. In the case of a motor vehicle contract, no provision for a confession of judgment or wage assignment by the buyer is enforceable (but after October 1, 1963 will be prohibited) in this State, and no such provision may be *contained* in a retail instalment contract, obligation or "revolving" credit agreement for goods and services.

SELLER'S ACKNOWLEDGMENT OF FULL PAYMENT

After the payment of all sums for which you are obligated under the provisions of a retail instalment contract, obligation or credit agreement, the holder thereof, upon written demand made by you, must deliver or mail to you such good and sufficient instruments as may be necessary to acknowledge payment in full and to release all security in the motor vehicle or other goods. The seller or holder is *not* required to return to you the original contract upon full payment thereof.



A NEW LAW NOW PROTECTS YOU WHEN YOU FINANCE YOUR INSURANCE PREMIUMS

This Administration sponsored the enactment of legislation by the 1960 Legislative Session which added to the Banking Law Article XII-B, known as the Insurance Premium Finance Agencies Act. This law provides for the licensing of persons (other than banks or insurance companies) engaged in the business of insurance premium financing, and provides for the supervision and regulation of this business by the Superintendent of Banks.

The insured who finances his insurance premiums is now given protection somewhat similar to that granted to retail instalment buyers of goods and

services. Such protection includes a ceiling on service charges; disclosure of the terms and conditions of payment; a refund of unearned service charges for prepayment under certain conditions; mandatory cancellation procedures; restrictions as to the amount of delinquency, collection and cancellation charges and attorney's fees; and prohibitions against the inclusion in a premium finance agreement of certain provisions which could lead to abuse.

The public is further protected in that no person may obtain a license as a premium finance agency until he has met standards of financial responsibility, experience, character and general fitness to the satisfaction of the Superintendent of Banks. In addition, the Superintendent is empowered to receive complaints from insureds, and to make such examination and investigations of licensees and other persons as he may deem necessary to ascertain whether they have violated any of the provisions of the statute, which became effective on July 1, 1960.

LIMITATIONS ON SERVICE CHARGES FOR FINANCING INSURANCE PREMIUMS

Effective June 1, 1962, the service charge on the principal balance of the premium finance agreement is subject to a rate not exceeding $8.00 per $100.00 per annum, or, if the service charge so computed is less than $12.00, a minimum service charge of $12.00 may be charged.

The present law further provides that when the principal balance is not in excess of $100.00 and is to be repaid in eight months or less, the following minimum service charges shall prevail:

(1) Repayable in four monthly instalments or less, the minimum service charge shall be $6.00;

(2) Repayable in five or six monthly instalments, the minimum service charge shall be $8.00;

(3) Repayable in seven or eight monthly instalments, the minimum service charge shall be $10.00.

IN CASE OF COMPLAINT

Any person who feels he has a legitimate complaint involving the financing of his insurance premiums, or the retail instalment purchase of any article, including a purchase made under a "revolving credit" agreement, whether pertaining to

charges or other provisions of the applicable laws, should send a written complaint outlining all the facts involved, to the Superintendent of Banks, 100 Church Street, New York City. Complaints may also be made in person at any office of the Banking Department. These offices are conveniently located in New York City, Albany, Syracuse, Rochester, and Buffalo.

KNOW YOUR RIGHTS — INSIST ON THEM — ALWAYS

This booklet has listed most of your rights when you buy on time or finance insurance premiums. You must insist that they be observed. If you have any questions, don't hesitate to contact the New York State Banking Department at any of its offices.

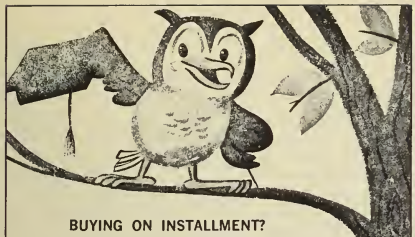


Distributed by

NEW YORK STATE BANKING DEPARTMENT

OREN ROOT, Superintendent

Booklet KYR May 1963



BUYING ON INSTALLMENT?

✓ Remember Before You Sign . . .

- Read and understand contract. Don't rush.
- Never sign a contract with spaces left blank.
- Be sure the contract tells:
  - Exactly what you are buying.
  - Purchase price, or amount borrowed.
  - Interest and service charge in dollars or simple annual rate.
  - Total amount due. Down payment.
  - Amount and number of payments. Dates due.
  - Trade-in allowances, if any.
- What if you can't pay? Or pay ahead?
- Know whom you make all payments to.
- What are seller's commitments for maintenance, service or replacement?
- Be sure you get a copy of contract to keep.

BORROWING MONEY?

✓ Ask Before You Sign . . .

- How much cash you will actually get?
- What is the simple annual rate?
- What if you have to miss a payment?
- How does the lender figure the balance due if you refinance?
- If you pay ahead of time is there a penalty? Will you get a refund?
- Whom do you make all your payments to?

HOW TO FIGURE DOLLAR COST OF CREDIT

Multiply amount of monthly payment by number of monthly payments to be made.
Subtract from that total the amount financed. (Cash price minus down payment)
Difference will be dollar cost of credit.
EXAMPLE: A refrigerator costs $300 and can be paid for by making a $12 down payment and 12 monthly payments of $25.92 each.

MULTIPLY payments × months to be made ($25.92 × 12)	$311.04
SUBTRACT the amount financed (Cash price minus down payment)	$288.00
DOLLAR COST OF CREDIT	$ 23.04*
Total cost on credit ($300 cash price plus $23.04 credit cost)	$323.04

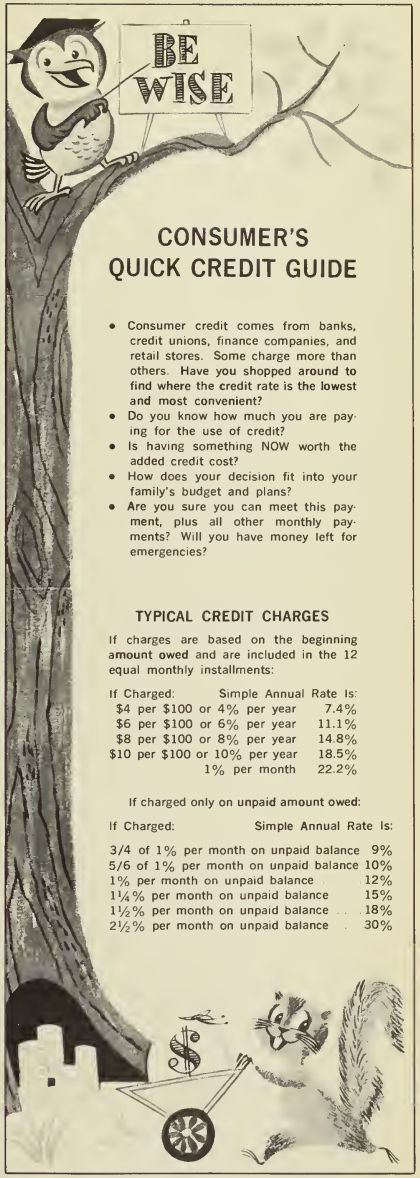
*Cost of credit equals $8 per $100 per year on unpaid balance of $288. This is equivalent to a simple annual rate of 14.8%. See chart on back.

Issued by the U. S. Department of Agriculture at the request of President's Committee on Consumer Interest. June 1964

For sale by the Superintendent of Documents
U.S. Government Printing Office
Washington, D.C., 20402
Price 5 cents; $2.50 per 100

* GPO 1964 O—738-434





CONSUMER'S QUICK CREDIT GUIDE

- Consumer credit comes from banks, credit unions, finance companies, and retail stores. Some charge more than others. Have you shopped around to find where the credit rate is the lowest and most convenient?
- Do you know how much you are paying for the use of credit?
- Is having something NOW worth the added credit cost?
- How does your decision fit into your family's budget and plans?
- Are you sure you can meet this payment, plus all other monthly payments? Will you have money left for emergencies?

TYPICAL CREDIT CHARGES

If charges are based on the beginning amount owed and are included in the 12 equal monthly installments:

If Charged:	Simple Annual Rate Is:
$4 per $100 or 4% per year	7.4%
$6 per $100 or 6% per year	11.1%
$8 per $100 or 8% per year	14.8%
$10 per $100 or 10% per year	18.5%
1% per month	22.2%

If charged only on unpaid amount owed:

If Charged:	Simple Annual Rate Is:
3/4 of 1% per month on unpaid balance	9%
5/6 of 1% per month on unpaid balance	10%
1% per month on unpaid balance	12%
1¼% per month on unpaid balance	15%
1½% per month on unpaid balance	18%
2½% per month on unpaid balance	30%

STATE OF CALIFORNIA

DEPARTMENT OF JUSTICE

STANLEY MOSK

Attorney General

REES – LEVERING

AUTOMOBILE SALES FINANCE ACT

Prepared by:

CONSUMER FRAUD SECTION
VINCENT W. THORPE
Assistant Attorney General

Automobile Sales Finance Act

§ 2981. **[Definitions.]** As used in this chapter, unless the context otherwise requires:

(a) "Conditional sale contract" means:

(1) Any contract for the sale of a motor vehicle between a buyer and a seller, with or without accessories, under which possession is delivered to the buyer but the title vests in the buyer thereafter only upon the payment of all or part of the price, or upon the performance of any other condition, or

(2) Any contract for the bailment or leasing of a motor vehicle between a buyer and a seller, with or without accessories, by which the bailee or lessee agrees to pay as compensation a sum substantially equivalent to the value of the property, and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of the property upon full compliance with the terms of the contract, or

(3) Any contract for the sale of a motor vehicle between a buyer and a seller, with or without accessories, under which possession is delivered to the buyer, and a lien on the property is to vest in the seller as security for the payment of part or all of the price, or for the performance of any other condition.

(b) "Seller" means a person engaged in the business of selling or leasing motor vehicles under conditional sale contracts.

(c) "Buyer" means the person who buys or hires a motor vehicle under a conditional sale contract.

(d) "Person" includes an individual, company, firm, association, partnership, trust, corporation, or other legal entity.

(e) "Cash price" means the amount for which the seller would sell and transfer to the buyer unqualified title to the motor vehicle described in the conditional sale contract, if the property were sold for cash at the seller's place of business on the date the contract is executed, and includes any applicable sales taxes and the total amount paid or to be paid to any public officer in connection with the transaction.

(f) "Down payment" means that part of the cash price which the buyer pays or agrees to pay to the seller in cash or property value or money's worth at or prior to delivery by the seller to the buyer of the motor vehicle described in the conditional sale contract, including the cash, property or thing of value which the buyer deposits with the seller pending execution of a conditional sale contract, which cash, property or thing of value shall be refundable to the buyer in the event a conditional sale contract is not executed, or if the property or thing of value traded in cannot be returned, the cash value thereof.

(g) "Unpaid balance" means the difference between (e) and (f), plus all insurance premiums (except for credit life or disability insurance when the amount thereof is included in the finance charge), which are included in the contract balance.

(h) "Finance charge" means any amount which the buyer agrees to pay to the seller in excess of the unpaid balance.

(i) "Contract balance" means the amount unpaid under the conditional sale contract, which the buyer agrees to pay in installments as originally provided therein, and shall not include amounts for which the buyer may later become obligated under the terms of the contract in connection with insurance, repairs to or preservation of the motor vehicle, preservation of the security interest therein, or otherwise.

(j) "Motor vehicle" means any vehicle required to be registered under the Vehicle Code which is bought for use primarily for personal or family purposes, and does not mean any vehicle which is bought for use primarily for business or commercial purposes.

(k) "Purchase order" means a sales order, car reservation, statement of transaction or any other such instrument used in the conditional sale of a motor vehicle pending execution of a conditional sale contract. The purchase order shall conform to the disclosure requirements of paragraphs 1 to 8, inclusive, and paragraph 10 of subdivision (a) of Section 2982 and Section 2984.1.

§ 2982. [Requisites of conditional sale contract for sale of motor vehicle: Contents: Computation of finance charge for insurance on amount to be disbursed after one year: Limitation of amount of finance charge: Delinquency charge: Collection costs and fees: Liquidation of indebtedness prior to maturity: Refund of unearned portion of finance charge: Amount of refund: Provisions for compensation of buyer for referrals.]

(a) Every conditional sale contract for the sale of a motor vehicle, with or without accessories, shall be in writing and, if printed, shall be printed in type no smaller than six point, and shall contain in a single document all of the agreements of the buyer and seller with respect to the total cost and the terms of payment for the motor vehicle, including any promissory notes or any other evidences of indebtedness. The conditional sale contract or a purchase order shall be signed by the buyer or his authorized representative and by the seller or its authorized representative, and an exact copy thereof shall be furnished the buyer by the seller at the time the buyer and the seller have signed the contract or purchase order. No motor vehicle shall be delivered under this chapter until the seller delivers to the buyer a fully executed copy of the conditional sale contract or purchase order. The seller shall not obtain the signature of the buyer to a contract when it contains blank spaces to be filled in after it has been signed. Every conditional sale contract shall contain, although not necessarily in the sequence or order set forth below, the following separate items:

1. The cash price of the motor vehicle described in the conditional sale contract.

2. The amount of the buyer's down payment, and whether made in cash or represented by the net agreed value of described property traded in, or both, together with a statement of the respective amounts credited for cash and for such property.

3. The amount unpaid on the cash price, which is the difference between Items 1 and 2.

4. The cost to the buyer of any insurance, the premium for which is included in the contract balance. Any such cost for credit life or disability insurance may be included in the finance charge if the amount thereof is separately stated on the face of the contract.

5. The amount of the unpaid balance, which is the sum of Items 3 and 4.

6. The amount of the finance charge.

7. The contract balance owed by the buyer to the seller, which is the sum of Items 5 and 6.

8. The number of installments required to pay the contract balance, the amount of each installment, and the date for payment of the installments.

9. The names and addresses of all persons to whom the notice required under Section 2983.2 and permitted under Sections 2983.5 and 2984 of this code is to be sent.

10. A notice, in at least eight-point bold type if the contract is printed, reading as follows: "Notice to the buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the finance charge. (4) If you default in the performance of your obligations under this agreement, the vehicle may be repossessed and you may be subject to suit and liability for the unpaid indebtedness evidenced by this agreement."

(b) If any charge for insurance (other than for credit life or disability) is included in the contract balance and disbursement of any part thereof be made more than one year after the date of the conditional sale contract, any finance charge on the amount to be disbursed after one year shall be computed from the month the disbursement is to be made to the due date of the last installment under the conditional sale contract.

(c) The amount of the finance charge in any conditional sale contract for the sale of a motor vehicle, with or without accessories, shall not exceed 1 percent of the unpaid balance multiplied by the number of months (computed on the basis of a full month for any fractional month period in excess of 15 days) elapsing between the date of the contract and the due date of the last installment, or twenty-five dollars ($25), whichever is greater. The contract may provide for a delinquency charge or charges on any installment in default for a period of not less than 10 days in an amount not to exceed in the aggregate 5 percent of the installment, which amount may be collected only once on any installment regardless of the period during which it remains in default. The contract may provide for reasonable collection costs and fees in the event of delinquency.

(d) Any provision in any conditional sale contract for the sale of a motor vehicle to the contrary notwithstanding, the buyer shall have the privilege of paying at any time in full the indebtedness evidenced by the contract. Whenever an indebtedness is liquidated prior to maturity by prepayment or refinancing, or upon surrender or repossession and resale of the motor vehicle, the holder shall thereupon refund to the buyer the unearned portion of the finance charge. The refund may be made in cash or credited to the amount due on the obligation of the buyer. The amount of the refund shall represent at least as great a proportion of the finance charge, after first deducting therefrom twenty-five dollars ($25), as the sum of the periodic time balances payable more than 15 days after the date of prepayment (or other event entitling the buyer to the re-

fund) bears to the sum of all of the periodic time balances under the schedule of installments in the contract. The provisions of this subdivision shall not impair the right of the seller or his assignee to receive delinquency charges on delinquent installments and reasonable costs and fees as provided in subdivision (c) of this section. Where the amount of such refund is less than one dollar ($1), no refund need be made.

(e) The contract shall also include any promise by the seller or anyone with his knowledge, made as an inducement to the buyer to become a party to the conditional sale contract or made incidental to negotiations relating thereto, to compensate the buyer for referring customers or prospective customers to the seller or for referring the seller to such customers or prospective customers.

In any case in which, pursuant to this subsection, the contract contains a promise to compensate the buyer for referring customers or prospective customers to the seller or the seller to such customers, the contract must contain a provision to the effect that the outstanding balance at any time is reduced by any amount of compensation owing pursuant to such promise.

§ 2983. [Violation of § 2982 subds (a) or (c): Recovery by buyer: Amount recoverable.] If the seller, except as the result of an accidental or bona fide error in computation, violates any provision of subdivisions (a) or (c) of Section 2982, the conditional sale contract shall not be enforceable, except by a bona fide purchaser, assignee or pledgee for value or until after the violation is corrected as provided in Section 2984, and if the violation is not corrected the buyer may recover from the seller the total amount paid, pursuant to the terms of the contract, by the buyer to the seller or his assignee. The amount recoverable for property traded in as all or part of the down payment shall be equal to the agreed cash value of such property as the value appears on the conditional sale contract.

§ 2983.1. [Violation of § 2982 subd (d) by seller or holder of conditional sale contract: Acquisition of conditional sale contract without knowledge of violation of § 2982 subds (a) or (c): Acquisition with knowledge of violation: Election by buyer.] If the seller or holder of a conditional sale contract, except as the result of an accidental or bona fide error of computation, violates any provision of subdivision (d) of Section 2982, the buyer may recover from such person three times the amount of any finance charge paid to that person.

If a holder acquires a conditional sale contract without actual knowledge of the violation by the seller of subdivisions (a) or (c) of Section 2982, the contract shall be valid and enforceable by such holder except (unless the violation is corrected as provided in Section 2984) the buyer is excused from payment of the unpaid finance charge.

If a holder acquires a conditional sale contract with knowledge of such violation of subdivisions (a) or (c) of Section 2982, the conditional sale contract shall not be enforceable except by a bona fide purchaser, assignee or pledgee for value or unless the violation is corrected as provided in Section 2984, and if the violation is not corrected the buyer may recover from the person to whom payment was made the amounts specified in Section 2983.

When a conditional sale contract is not enforceable under Sections 2983 or 2983.1, the buyer may elect to retain the motor vehicle and continue the contract in force or may, with reasonable diligence, elect to rescind the contract and return the motor vehicle. The value of the motor vehicle so returned shall be credited as restitution by the buyer without any decrease which results from the passage of time in the cash price of the motor vehicle as such price appears on the conditional sale contract.

§ 2983.2. [Notice of intent to sell repossessed motor vehicle: Contents: Rights and liabilities of persons liable on contract.] Any provision in any conditional sale contract for the sale of a motor vehicle to the contrary notwithstanding, at least five days' written notice of intent to sell a repossessed motor vehicle must be given to all persons liable on the contract. The notice shall be given in person or shall be sent by mail directed to the address of the persons shown on the contract, unless such persons have notified the holder in writing of a different address. The notice shall set forth that there is a right to redeem the motor vehicle and the total amount required as of the date of the notice to redeem; may inform such persons of their privilege of reinstatement of the contract, if the holder extends such privilege; shall give notice of the holder's intent to resell the motor vehicle at the expiration of five days from the date of giving or mailing the notice, or if given by mail and either the place of deposit in the mail or the place of address is outside of this State, the period of notice shall be 10 days instead of five days; shall disclose the place at which the motor vehicle will be returned to the buyer upon redemption or reinstatement; and shall designate the name and address of the person to whom payment shall be made. During the period provided under said notice, the person or persons liable on the contract may pay in full the indebtedness evidenced by the contract. Such persons shall be liable for any deficiency after sale of the repossessed motor vehicle only if notice has been given pursuant to this section.

§ 2983.3. [Acceleration of maturity or repossession of vehicle absent default by buyer.] In the absence of default by the buyer in the performance of any of his obligations under the contract, the holder may not accelerate the maturity of any part or all of the amount owing thereunder or repossess the motor vehicle.

§ 2983.4. [Award of attorney's fees and costs in action on contract subject to chapter: When defendant deemed prevailing party.] Reasonable attorney's fees and costs shall be awarded to the prevailing party in any action on a conditional sale contract subject to the provisions of this chapter regardless of whether the action is instituted by the seller, holder or buyer. Where the defendant alleges in his answer that he tendered to the plaintiff the full amount to which he was entitled, and thereupon deposits in court, for the plaintiff, the amount so tendered, and the allegation is found to be true, then the defendant is deemed to be a prevailing party within the meaning of this section.

§ 2983.5. [Notice of assignment to buyer: Notification of claim or defense of buyer.] No right of action or defense arising out of a conditional sale contract which the buyer has against the seller, and which would be cut off by assignment, shall be cut off by assignment to any third party whether or not he acquires the contract in good faith and for value unless the assignee gives notice of the assignment to the buyer as provided in this section and within 15 days of the mailing of notice receives no written notice of the facts giving rise to the claim or defense of the buyer. A notice of assignment shall be in writing addressed to the buyer at the address shown on the contract and shall identify the contract and inform the buyer that he must, within 15 days of the date of mailing of the notice, notify the assignee in writing of any facts giving rise to a claim or defense which he may have. The notice of assignment shall state the name of the seller and buyer, a description of the motor vehicle, the contract balance and the number and amount of the installments.

§ 2984. [Correction of contract provisions in violation of chapter: Time periods: Concurrence of buyer: How correction to be made: Credit or return of amount improperly collected: Effect of violation corrected.]

Any failure to comply with any provision of this chapter (commencing with Section 2981) may be corrected by the holder, provided, however, that a willful violation may not be corrected unless it is a violation appearing on the face of the contract and is corrected within 30 days of the execution of the contract or within 20 days of its sale, assignment or pledge, whichever is later, provided that the 20-day period shall commence with the initial sale, assignment or pledge of the contract, and provided that any other violation appearing on the face of the contract may be corrected only within such time periods. A correction which will increase the amount of the contract balance or the amount of any installment as such amounts appear on the conditional sale contract shall not be effective unless the buyer concurs in writing to the correction. If notified in writing by the buyer of such a failure to comply with any provision of this chapter, the correction shall be made within 10 days of notice. Where any provision of a conditional sale contract fails to comply with any provision of this chapter, the correction shall be made by mailing or delivering a corrected copy of the contract to the buyer. Any amount improperly collected by the holder from the buyer shall be credited against the indebtedness evidenced by the contract or returned to the buyer. A violation corrected as provided in this section shall not be the basis of any recovery by the buyer or affect the enforceability of the contract by the holder and shall not be deemed to be a substantive change in the agreement of the parties.

§ 2984.1. [Statement to satisfy requirements of Veh C § 5604.] Every conditional sale contract shall contain a statement in at least eight-point bold type if the contract is printed, which statement shall satisfy the requirements of Section 5604 of the Vehicle Code, as follows:

"UNLESS A CHARGE IS INCLUDED IN THIS AGREEMENT FOR PUBLIC LIABILITY OR PROPERTY DAMAGE INSURANCE, PAYMENT FOR SUCH COVERAGE IS NOT PROVIDED BY THIS AGREEMENT."

§ 2984.2. **[Agreement for inclusion of title to or lien upon personal or real property, etc., as security unenforceable.]** No agreement in connection with a conditional sale of a motor vehicle for the inclusion of title to or a lien upon any personal or real property, other than the motor vehicle which is the subject matter of the conditional sale, or accessories therefor or special and auxiliary equipment used in connection therewith, or in substitution, in whole or in part, for any therefor, as security for payment of the contract balance, shall be enforceable.

§ 2984.3. **[Acknowledgment of delivery of contract: Written acknowledgment as rebuttable presumption of delivery: Conclusive presumption.]** Any acknowledgment by the buyer of delivery of a copy of a conditional sale contract shall be printed or written in a size equal to at least 10-point bold type and, if contained in the contract, shall appear directly above the space reserved for the buyer's signature. The buyer's written acknowledgment, conforming to the requirements of this section, of delivery of a completely filled-in copy of the contract, shall be a rebuttable presumption of delivery in any action or proceeding by or against a third party without knowledge to the contrary when he acquired his interest in the contract. If either a copy of the contract or a notice containing Items 1 to 8 of subdivision (a) of Section 2982 of this code is furnished the buyer, and the buyer fails to notify the holder of the contract in writing within 30 days that he was not furnished a copy of the contract as required by this chapter, it shall be conclusively presumed in favor of such a third party that a copy was furnished as required by this chapter.

STATE OF CALIFORNIA

DEPARTMENT OF JUSTICE

STANLEY MOSK

Attorney General

UNRUH

RETAIL INSTALLMENT SALES ACT

Prepared by:

CONSUMER FRAUD SECTION
VINCENT W. THORPE
Assistant Attorney General

Unruh
Retail Installment Sales Act

ARTICLE 1
General Provisions

§ 1801. [Statutory citation.]
§ 1801.1. [Invalidity of waiver of statutory provisions.]
§ 1801.2. [Saving clause.]
§ 1801.3. [Application of statute.]

§ 1801. [Statutory citation.] This chapter may be cited as the "Unruh Act." [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

Note.—Stats. 1959, ch. 201, also provides:

§ 2. This act shall become operative January 1, 1960. This title shall not affect the validity of any agreement made prior to the effective date of this act.

§ 1801.1. [Invalidity of waiver of statutory provisions.] Any waiver **[1]** *by* the buyer of the provisions of this chapter shall be deemed contrary to public policy and shall be unenforceable and void. [Am. Stats. 1963, ch. 1603, § 1.]

§ 1801.2. [Saving clause.] If any provision of this chapter or the application thereof to any person or circumstances is held unconstitutional, the remainder of the chapter and the application of such provision to other persons or circumstances shall not be affected thereby. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 2
Definitions

§ 1802. [Application of definitions.]
§ 1802.1. ["Goods."]
§ 1802.2. ["Services."]
§ 1802.3. ["Retail seller" or "seller."]
§ 1802.4. ["Retail buyer" or "buyer."]
§ 1802.5. ["Retail installment sale" or "sale."]
§ 1802.6. ["Retail installment contract" or "contract."]
§ 1802.7. ["Retail installment account" or "installment account" on "revolving account."]
§ 1802.8. ["Cash sale price."]
§ 1802.9. ["Time sale price."]
§ 1802.10. ["Time price differential" or "service charge."]
§ 1802.11. ["Unpaid balance."]
§ 1802.12. ["Time balance."]
§ 1802.13. ["Holder."]
§ 1802.14. ["Official fees."]
§ 1802.15. ["Person."]
§ 1802.16. ["Financing agency."]

§ 1802. [Application of definitions.] Unless the context or subject matter otherwise requires, the definitions given in this article govern the construction of this chapter. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.1. ["Goods."] "Goods" means tangible chattels bought for use primarily for personal, family or household purposes, including certificates or coupons exchangeable for such goods, and including goods which, at the time of the sale or subsequently are to be so affixed to real property as to become a part of such real property whether or not severable therefrom, but does not include any vehicle required to be registered under the

Vehicle Code, nor any goods sold with such a vehicle if sold under a contract governed by Section 2982 of the Civil Code. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.02. ["Services."] "Services" means work, labor and services, for other than a commercial or business use, including services furnished in connection with the sale or repair of goods as defined in Section 1802.1 or furnished in connection with the repair of motor vehicles or in connection with the improvement of real property or the providing of insurance, but does not include the services of physicians or dentists, nor services for which the tariffs, rates, charges, costs or expenses, including in each instance the time sale price, is required by law to be filed with and approved by the Federal Government or any official, department, division, commission or agency of the United States. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.3. ["Retail seller" or "seller."] "Retail seller" or "seller" means a person engaged in the business of sellinng goods or furnishing services to retail buyers. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.4. ["Retail buyer" or "buyer."] "Retail buyer" or "buyer" means a person who buys goods or obtains services from a retail seller in a retail installment sale and not principally for the purpose of resale. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.5. ["Retail installment sale" or "sale."] "Retail installment sale" or "sale" means the sale of goods or the furnishing of services by a retail seller to a retail buyer for a time sale price payable in installments. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.6. ["Retail installment contract" or "contract."] "Retail installment contract" or "contract" means any contract for a retail installment sale between a buyer and seller, entered into or performed in this State, which provides for repayment in installments, whether or not such contract contains a title retention provision, and in which a time price differential is computed upon and added to the unpaid balance at the time of sale or where no time price differential is added but the goods or services are available at a lesser price if paid by cash *or where the buyer, if he had paid cash, would have received any additional goods or services or any higher quality goods or services at no added cost over the total amount he pays in installments.* When taken or given in connection with a retail installment sale, the term includes but is not limited to a chattel mortgage, a conditional sales contract and a contract for the bailment or leasing of goods by which the bailee or lessee contracts to pay as compensation for their use a sum substantially equivalent to or in excess of their value and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of the goods upon full compliance with the terms of the contract. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960; Am. Stats. 1961, ch. 1214, § 1.]

§ 1802.6. ["Retail installment contract" or "contract."] "Retail installment contract" or "contract" means any con-

tract for a retail installment sale between a buyer and seller, entered into or performed in this State, which provides for repayment in installments, whether or not such contract contains a title retention provision, and in which a time price differential is computed upon and added to the unpaid balance at the time of sale or where no time price differential is added but the goods or services are available at a lesser price if paid by cash or where the buyer, if he had paid cash, would have received any additional goods or services or any higher quality goods or services at no added cost over the total amount he pays in installments. When taken or given in connection with a retail installment sale, the term includes but is not limited to a **[1]** *security agreement* and a contract for the bailment or leasing of goods by which the bailee or lessee contracts to pay as compensation for their use a sum substantially equivalent to or in excess of their value and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of the goods upon full compliance with the terms of the contract. [Am. Stats. 1963, ch. 819, § 6, effective January 1, 1965.]

§ 1802.7. **["Retail installment account" or "installment account" or "revolving account."]** "Retail installment account" or "installment account" or "revolving account" means an account established by an agreement entered into in this State, pursuant to which the buyer promises to pay, in installments, to a retail seller, his outstanding balance incurred in retail installment sales, whether or not a security interest in the goods sold is retained by the seller, and which provides for a service charge which is expressed as a percent of the periodic balances to accrue thereafter providing such charge is not capitalized or stated as a dollar amount in such agreement. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.8. **["Cash sale price."]** "Cash sale price" means the cash sale price stated in a retail installment contract for which the seller would sell or furnish to the buyer and the buyer would buy or obtain from the seller the goods or services which are the subject matter of a retail installment contract if the sale were a sale for cash instead of a retail installment sale. The cash sale price may include any taxes and cash sale prices for accessories and services, if any, included in a retail installment sale. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.9. **["Time sale price."]** "Time sale price" means the total of the cash sale price of the goods or services and the amounts, if any, included for insurance, official fees and service charge. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.10. **["Time price differential" or "service charge."]** "Time price differential" or "service charge" means the amount however denominated or expressed which the retail buyer contracts to pay or pays for the privilege of purchasing goods or services to be paid for by the buyer in installments; it does not include the amounts, if any, charged for insurance premiums, delinquency charges, attorney's fees, court costs, collection expenses or official fees. Wherever either of such terms is required

to be used under the provisions of this chapter the other may be used interchangeably. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.11. ["Unpaid balance."] "Unpaid balance" means the cash sale price of the goods or services which are the subject matter of the retail installment sale, plus the amounts, if any, included in a retail installment sale for insurance and official fees, minus the amount of the buyer's downpayment in money or goods. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.12. ["Time balance."] "Time balance" means the total of the unpaid balance and the amount of the service charge, if any. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.13. ["Holder:"] "Holder" means the retail seller who acquires a retail installment contract or installment account executed, incurred or entered into by a retail buyer, or if the contract or installment account is purchased by a financing agency or other assignee, the financing agency or other assignee. The term does not include the pledgee of or the holder of a security interest in an aggregate number of such contracts or installment accounts to secure a bona fide loan thereon. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.14. ["Official fees."] "Official fees" means the fees required by law and actually to be paid to the appropriate public officer to perfect a lien or other security interest, on or in goods, retained or taken by a seller under a retail installment contract or installment account. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.15. ["Person."] "Person" means an individual, partnership, corporation, association or other group, however organized. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1802.16. ["Financing agency."] "Financing agency" means a person engaged in this State in whole or in part in the business of purchasing retail installment contracts, or installment accounts from one or more retail sellers. The term includes but is not limited to a bank, trust company, private banker, or investment company, if so engaged. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 3

Provisions of Retail Installment Contracts

§ 1803.1. [Execution of retail installment contract.]
§ 1803.2. [Same: Matters to be included in single document: Cost and terms of payment: Designation of kind of instrument: Notice to buyer.]
§ 1803.3. [Same: Contents of contract.]
§ 1803.4. [Same: Prohibition against seller's obtaining signature of buyer before blank spaces filled in.]
§ 1803.5. [Same: Provisions of contract where buyer separately charged with cost of insurance.]
§ 1803.6. [Same: Provisions as to delinquency charges and costs.]

§ 1803.7. [Same: Delivery of contract to buyer: Buyer's acknowledgment: Presumptions.]

§ 1803.8. [Installment sales transacted by mail or telephone: Application of provisions of this chapter: Written statement of items inserted in blank spaces in lieu of copy of contract.]

§ 1803.1. [Execution of retail installment contract.] A retail installment contract shall be dated and in writing; the printed portion thereof shall be in at least eight-point type. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.2. [Execution of retail installment contract: Matters to be included in single document: Cost and terms of payment: Designation of kind of instrument: Notice to buyer.]

Except as provided in **[1]** *Sections 1803.9 and* 1808.3, every retail installment contract shall be contained in a single document which shall contain:

(a) The entire agreement of the parties with respect to the cost and terms of payment for the goods and services, including any promissory notes or any other evidences of indebtedness between the parties relating to the transaction, and including any promise, whether made in writing or orally, by the seller, made as an inducement to the buyer to become a party to the contract or which is part of the contract or which is made incidental to negotiations between the seller and the buyer with respect to the sale of the goods or services that are the subject of the contract, that the seller will compensate the buyer for referring customers or prospective customers to the seller for goods or services which the seller has for sale or for referring the seller to such customers or prospective customers. In any case in which, pursuant to the preceding provisions, the contract contains a promise to compensate the buyer for referring customers or prospective customers to the seller or the seller to such customers, the contract must contain a provision to the effect that the amount otherwise owing under the contract at any time is reduced by the amount of compensation owing pursuant to such promise.

(b) Either at the top of the contract or directly above the space reserved for the signature of the buyer, the words **[2]** *"Security Agreement"* or "Lien Contract," as the case may be, shall appear in at least 10-point bold type where a security interest in the goods is retained or a lien on other goods or realty is obtained by the seller as security for the goods or services purchased. Either at the top of the contract or directly above the space reserved for the signature of the buyer, the words "Retail Installment Contract" shall appear in at least 10-point bold type where security is not obtained by the seller for the goods or services purchased. **[3]**

(c) A notice in at least eight-point bold type reading as follows: "Notice to the buyer: (1) Do not sign this agreement before you read it or if it contains any blank space. (2) You are entitled to a completely filled-in copy of this agreement. (3) Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the service charge." [Am. Stats. 1963, ch. 1603, § 3.]

1. Deleted: "Section"
2. Deleted: " 'Conditional Sale Contract' "

3. Deleted: "The requirements of this subdivision shall be in addition to any applicable designation required of a chattel mortgage by Civil Code Sections 2956 and 2957."

Note.—This section was also amended by an earlier act passed at the 1963 session. See Stats. 1963, ch. 819, § 7, effective January 1, 1965.

§ 1803.2. [Execution of retail installment contract: Matters to be included in single document: Cost and terms of payment: Designation of kind of instrument: Notice to buyer.]

Except as provided in Section 1808.3, every retail installment contract shall be contained in a single document which shall contain:

(a) The entire agreement of the parties with respect to the cost and terms of payment for the goods and services, including any promissory notes or any other evidences of indebtedness between the parties relating to the transaction, and including any promise, whether made in writing or orally, by the seller, made as an inducement to the buyer to become a party to the contract or which is part of the contract or which is made incidental to negotiations between the seller and the buyer with respect to the sale of the goods or services that are the subject of the contract, that the seller will compensate the buyer for referring customers or prospective customers to the seller for goods or services which the seller has for sale or for referring the seller to such customers or prospective customers. In any case in which, pursuant to the preceding provisions, the contract contains a promise to compensate the buyer for referring customers or prospective customers to the seller or the seller to such customers, the contract must contain a provision to the effect that the amount otherwise owing under the contract at any time is reduced by the amount of compensation owing pursuant to such promise.

(b) Either at the top of the contract or directly above the space reserved for the signature of the buyer, the words "Security Agreement" or "Lien Contract," as the case may be, shall appear in at least 10-point bold type where a security interest in the goods is retained or a lien on other goods or realty is obtained by the seller as security for the goods or services purchased. Either at the top of the contract or directly above the space reserved for the signature of the buyer, the words "Retail Installment Contract" shall appear in at least 10-point bold type where security is not obtained by the seller for the goods or services purchased.

(c) A notice in at least eight-point bold type reading as follows: "Notice to the buyer: (1) Do not sign this agreement before you read it or if it contains any blank space. (2) You are entitled to a completely filled-in copy of this agreement. (3) Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the service charge."

§ 1803.3. [Same: Contents of contract.] Except as provided in Article 8 of this chapter, a contract shall contain the following:

(a) The names of the seller and the buyer, the place of business of the seller, the residence or place of business of the buyer as specified by the buyer and a description of the goods or services sufficient to identify them. Services or multiple items of goods may be described in general terms and may be described in detail sufficient to identify them in a separate writing.

(b) The cash sale price of the goods, services and accessories which are the subject matter of the retail installment sale.

(c) The amount of the buyer's down payment, itemizing the amounts paid in money and in goods and containing a brief description of the goods, if any, traded in.

(d) The difference between item (b) and item (c).

(e) The amount, if any, included for insurance, specifying the coverages and the cost of each type of coverage.

(f) The amount, if any, of official fees.

(g) The unpaid balance, which is the sum of items (d), (e), and (f).

(h) The amount of the service charge, if any.

(i) The time balance, which is the sum of items (g) and (h), payable by the buyer to the seller, the number of installments required, the amount of each installment expressed in dollars and the due date or period thereof.

(j) The time sale price.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the computations made in determining the amount to be paid by the buyer. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.4. [Same: Prohibition against seller's obtaining signature of buyer before blank spaces filled in.] The seller shall not obtain the signature of the buyer to a contract when it contains blank spaces to be filled in after it has been signed. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.5. [Same: Provisions of contract where buyer separately charged with cost of insurance.] If the cost of any insurance is included in the contract and a separate charge is made to the buyer for such insurance:

(a) The contract shall state whether the insurance is to be procured by the buyer or the seller.

(b) The amount, included for such insurance, shall not exceed the premiums chargeable in accordance with rate fixed for such insurance by the insurer.

(c) If the insurance is to be procured by the seller or holder, he shall, within 45 days after delivery of the goods or furnishing of the services under the contract, deliver, mail or cause to be mailed to the buyer, at his address as specified in the contract, a notice thereof or a copy of the policy or policies of insurance or a certificate or certificates of the insurance so procured.

(d) The provisions of Insurance Code Section 1668 shall apply to any violation of this section. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.6. [Same: Provisions as to delinquency charges and costs.] A contract may provide for the payment by the buyer of a delinquency charge on each installment in default for a period of not less than 10 days in an amount not in excess of 5 percent of such installment or five dollars ($5), whichever is less, but a minimum charge of one dollar ($1) may be made. Only one such delinquency charge may be collected on any such installment regardless of the period during which it remains in default. The contract may also provide for payment of any actual and reasonable costs of collection occasioned by removal of the goods from the State without written permission of the holder, or by the failure of the buyer to notify the holder of any change of residence, or by the failure of the buyer to communicate with the holder for a period of 45 days after any default in making payments due under the contract. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.7. [Same: Delivery of contract to buyer: Buyer's acknowledgment: Presumptions.] The seller shall deliver to the buyer, or mail to him, at his address shown on the contract, a legible copy thereof completed in accordance with the provisions of this chapter.

Until the seller does so, the buyer shall be obligated to pay only the cash sale price. Any acknowledgment by the buyer of delivery of a copy of the contract shall be printed or written in a size equal to at least 10-point bold type and, if contained in the contract shall also appear directly above the space reserved for the buyer's signature. The buyer's written acknowledgment, conforming to the requirements of this section of delivery of a copy of a contract shall be a [1] *rebuttable* presumption of such delivery and of compliance with this section and Section 1803.4, in any action or proceeding by or against an assignee of the contract without knowledge to the contrary when he purchases the contract. *If the holder furnishes the buyer a copy of the contract, or a notice containing the items required by Section 1803.3 and stating that the buyer should notify the holder in writing within 30 days if he was not furnished a copy of the contract, and no such notification is given, it shall be conclusively presumed in favor of the third party that a copy was furnished as required by Sections 1803.4 and 1803.7.* [Amended by Stats 1961 ch 1214 § 3.]

1. Deleted: "conclusive"

§ 1803.8. [Installment sales transacted by mail or telephone: Application of provisions of this chapter: Written statement of items inserted in blank spaces in lieu of copy of contract.] Retail installment sales negotiated and entered into by mail or telephone without personal solicitation by a salesman or other representative of the seller, where the seller's cash and deferred payment prices and other terms are clearly set forth in a catalog or other printed solicitation of business which is generally available to the public, may be made as hereinafter provided. All of the provisions of this chapter shall apply to such sales except that the seller shall not be required to deliver a copy of the contract to the buyer as provided in Section 1803.7, and if, when the proposed retail installment sale contract is received by the seller from the buyer, there are blank spaces to be filled in, the seller may insert in the appropriate blank spaces the amounts of money and other terms which are set forth in the seller's catalog which is then in effect. In lieu of the copy of the contract provided for in Section 1803.7 the seller shall, within 15 days from the date of shipment of goods, furnish to the buyer a written statement of the items inserted in such blank spaces. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1803.9. [Contracts contained in more than one document: Maximum cash sale price: Requirements.]

If a retail installment sale is a sale of goods or services for a cash sale price of fifty dollars ($50) or less, then the retail installment contract need not be contained in a single document. If the contract is contained in more than one document, one such document shall be an original document signed by the retail buyer, stated to be applicable to purchases of goods or services to be made by the retail buyer from time to time. In such case such document, together with the sales slip, account book or other written statement relating to each purchase, shall set forth all of the information required by Section 1803.3 and shall constitute a separate retail installment contract for

each purchase. On each succeeding purchase pursuant to such original document, the sales slip, account book or other written statement may at the option of the seller constitute the memorandum required by Section 1808.3. [Added by Stats. 1963, ch. 1603, § 4.]

ARTICLE 4

Restrictions on Retail Installment Contracts

§ 1804.1. [Prohibited contractual provisions: Buyer's waiver of claim, defense or right of action: Acceleration of maturity of debt: Power of attorney: Entry on buyer's premises or breach of peace in repossession of goods: Relief of seller from liability.]
§ 1804.2. [Notice of assignment.]
§ 1804.3. [Prohibition against provision for lien.]
§ 1804.4. [Effect of prohibited provision in contract.]

§ 1804.1. [Prohibited contractual provisions: Buyer's waiver of claim, defense or right of action: Acceleration of maturity of debt: Power of attorney: Entry on buyer's premises or breach of peace in repossession of goods: Relief of seller from liability: Charge to buyer for rescission or avoidance.]

No contract or obligation shall contain any provision by which:

(a) The buyer agrees not to assert against a seller a claim or defense arising out of the sale or agrees not to assert against an assignee such a claim or defense other than as provided in Section 1804.2.

(b) In the absence of the buyer's default in the performance of any of his obligations, the holder may accelerate the maturity of any part or all of the amount owing thereunder.

(c) A power of attorney is given to confess judgment in this State, or an assignment of wages is given; provided, that nothing herein contained shall prohibit the giving of an assignment of wages contained in a separate instrument, executed pursuant to Section 300 of the Labor Code.

(d) The seller or holder of the contract or other person acting on his behalf is given authority to enter upon the buyer's premises unlawfully or to commit any breach of the peace in the repossession of goods.

(e) The buyer waives any right of action against the seller or holder of the contract or other person acting on his behalf, for any illegal act committed in the collection of payments under the contract or in the repossession of goods.

(f) The buyer executes a power of attorney appointing the seller or holder of the contract, or other person acting on his behalf, as the buyer's agent in collection of payments under the contract or in the repossession of goods.

(g) The buyer relieves the seller from liability for any legal remedies which the buyer may have against the seller under the contract or any separate instrument executed in connection therewith.

(h) The buyer agrees to the payment of any charge by reason of the exercise of his right to rescind or avoid the contract. [Am. Stats. 1963, ch. 1310, § 1.]

§ 1804.2. [Notice of assignment: Construction of sections.]

No right of action or defense arising out of a retail installment sale which the buyer has against the seller, *other than as provided in Section 1812.7*, and which would be cut off by assignment, shall be

cut off by assignment of the contract to any third party whether or not he acquires the contract in good faith and for value unless the assignee gives notice of the assignment to the buyer as provided in this section, and within 15 days of the mailing of such notice receives no written notice of the facts giving rise to the claim or defense of the buyer. A notice of assignment shall be in writing addressed to the buyer at the address shown on the contract and shall: identify the contract; state the name of the seller and buyer; describe the goods and/or services; state the time balance and the number and amounts of the installments. The notice of assignment shall contain the following warning to the buyer:

You have 15 days within which to notify us of any claims or defenses which you may have against the seller. If you have any complaints or objections to make, you should notify us at this time.

Nothing contained in this section shall be construed as modifying or restricting rights, equities or defenses afforded under Section 1459 of this code or Section 368 of the Code of Civil Procedure with respect to transactions regulated by this chapter. [Am. Stats. 1963, ch. 1602, § 1.]

1. Deleted: "and inform the buyer that he must, within 15 days of the date of mailing of such notice, notify the assignee in writing of any facts giving rise to a claim or defense which he may have. The notice of assignment shall state the name of the seller and buyer, a description of the goods and services, the time balance and the number and amounts of the installments."

Note.—Stats. 1961, ch. 1214, also provides:

§ 11. Notwithstanding the amendment of Section 1804.2 enacted at the 1961 Regular Session of the Legislature, a notice of assignment made in the form and manner provided by the section prior to the amendment shall be valid and effective until July 1, 1962.

§ 1804.3. [Prohibition against provision for lien.] No contract other than one for services shall provide for a lien on any goods theretofore fully paid for or which have not been sold by the seller. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1804.4. [Effect of prohibited provision in contract.] Any provision in a contract which is prohibited by this chapter shall be void but shall not otherwise affect the validity of the contract. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 5

Service Charge Limitation

§ 1805.1. [Authorized service charges.]
§ 1805.2. [Authorized installments.]
§ 1805.3. [Service charge rate for unequal installments.]
§ 1805.4. [Fees, expenses and charges included in service charge.]
§ 1805.5. [Prohibition against splitting sales transaction to receive higher rate of time price differential.]

§ 1805.1. [Authorized service charges.] A seller may, in a retail installment contract, contract for and, if so contracted for, the holder thereof may charge, receive and collect a service charge which shall not exceed the following rates multiplied by the number of months, including any fraction in excess of more than 15 days as one month, elapsing between the date of such contract and the due date of the last installment:

(a) On so much of the unpaid balance as does not exceed one thousand dollars ($1,000), five-sixths of 1 percent.

(b) If the unpaid balance exceeds one thousand dollars ($1,000), on so much of the unpaid balance as exceeds one thousand dollars ($1,000), two-thirds of 1 percent.

(c) If the service charge so computed is less than twelve dollars ($12), twelve dollars ($12), but if the due date of the last installment of the contract is eight months or less after its effective date, ten dollars ($10). [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1805.2. **[Authorized installments.]** Contracts may be payable in successive monthly, semimonthly or weekly installments. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1805.3. **[Service charge rate for unequal installments.]** When a retail installment contract provides for unequal or irregular installments, the service charge shall be at the effective rate provided for in Section 1805.1, having due regard for the schedule of installments. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1805.4. **[Fees, expenses and charges included in service charge.]** The service charge shall be inclusive of all charges incident to investigating and making the contract and for the extension of the credit provided for in the contract, and no fee, expense or other charge whatsoever shall be taken, received, reserved or contracted for except as otherwise provided in this chapter. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1805.5. **[Prohibition against splitting sales transactions to receive higher rate of time price differential.]** No seller shall induce or permit any buyer to split up or divide any sales transaction for the purpose of contracting for or receiving a higher rate of time price differential than would otherwise be permitted by this article or to obtain the exemption permitted by Section 1801.3 of this chapter. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 6

Payments

§ 1806.1. [Buyer's payment to last known holder as discharge.]
§ 1806.2. [Statement as to amount due under contract: Entry of unpaid balance in payment book.]
§ 1806.3. [Permission for buyer to pay in full before maturity: Refund credit.]
§ 1806.4. [Written acknowledgment of payment in full.]

§ 1806.1. **[Buyer's payment to last known holder as discharge.]** Unless the buyer has notice of actual or intended assignment of a contract or installment account, payment thereunder made by the buyer to the last known holder of such contract or installment account, shall to the extent of the payment, discharge the buyer's obligation. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1806.2. [Statement as to amount due under contract: Entry of unpaid balance in payment book.] At any time after its execution, but not later than one year after the last payment thereunder, the holder of a contract shall, upon written request of the buyer made in good faith, promptly give or forward to the buyer a detailed written statement which will state with accuracy the total amount, if any, unpaid thereunder. Such a statement shall be supplied by the holder once each year without charge; if any additional statement is requested by the buyer, the holder shall supply such statement to the buyer at a charge not exceeding one dollar ($1) for each additional statement supplied to the buyer. The provisions of this section shall not apply to those transactions wherein, instead of periodic statements of account, the buyer is provided with a passbook or payment book in which all payments, credits, charges and the unpaid balance is entered. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1806.3. [Permission for buyer to pay in full before maturity: Refund credit.] Notwithstanding the provisions of any contract to the contrary, any buyer may pay the contract in full at any time before maturity and in so paying it shall receive a refund credit thereon for such anticipation. The amount of any such refund credit shall represent at least as great a proportion of the service charge or, if the contract has been extended, deferred or refinanced, of the additional charge therefor, as the sum of the periodic monthly time balances not yet due bears to the sum of all the periodic monthly time balances under the schedule of installments in the contract or, if the contract has been extended, deferred or refinanced, as so extended, deferred or refinanced. Where the amount of the credit for anticipation of payment is less than one dollar ($1) no refund need be made. Where the earned service charge amounts to less than the minimum service charge, there may be retained an amount equal to the minimum service charge applicable. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1806.4. [Written acknowledgment of payment in full.] After the payment of all sums for which the buyer is obligated under a contract and upon demand made by the buyer, the holder shall deliver, or mail to the buyer at his last known address, such one or more good and sufficient instruments as may be necessary to acknowledge payment in full and to release all security in the goods under such contract. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 7

Refinancing and Consolidation

§ 1807.1. [Agreement for extension or deferral charge.]
§ 1807.2. [Agreement to refinance payment: Readjustment of service charges.]
§ 1807.3. [Right of buyer to obtain new payment schedule where contract provides for increased payment of installment.]

§ 1807.1. [Agreement for extension or deferral charge.] The holder of a retail installment contract may, upon agreement with the buyer, extend the scheduled due date or defer the scheduled payment of all or of any part of any installment or installments payable thereunder. No charge shall be made for any such exten-

sion or deferment unless the agreement for such extension or deferment is in writing and signed by the parties thereto. The holder may charge and contract for the payment of an extension or deferral charge by the buyer and collect and receive the same, but such charge may not exceed an amount equal to 1 percent per month simple interest on the amount of the installment or installments, or part thereof, extended or deferred for the period of extension or deferral. Such period shall not exceed the period from the date when such extended or deferred installment or installments, or part thereof, would have been payable in the absence of such extension or deferral, to the date when such installment or installments, or part thereof, are made payable under the agreement of extension or deferment; except that a minimum charge of one dollar ($1) for the period of extension or deferral may be made in any case where the extension or deferral charge, when computed at such rate, amounts to less than one dollar ($1). Such agreement may also provide for the payment by the buyer of the additional cost to the holder of the contract of premiums for continuing in force, until the end of such period of extension or deferral, any insurance coverages provided for in the contract, subject to the provisions of Section 1803.5. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1807.2. [Agreement to refinance payment: Readjustment of service charges.] The holder of a retail installment contract or contracts may, upon agreement in writing with the buyer, refinance the payment of the unpaid time balance or balances of the contract or contracts by providing for a new schedule of installment payments. The holder may charge and contract for the payment of a refinance charge by the buyer and collect and receive the same, but such refinance charge (1) shall be based upon the amount refinanced, plus any additional cost of insurance and of official fees incident to such refinancing, after the deduction of a refund credit in an amount equal to that to which the buyer would have been entitled under Section 1806.3 if he had prepaid in full his obligations under the contract or contracts, but in computing such refund credit there shall not be allowed the minimum earned service charge as authorized by such section, and (2) may not exceed the rate of service charge provided under Article 5 of this chapter. Such agreement for refinancing may also provide for the payment by the buyer of the additional cost to the holder of the contract or contracts of premiums for continuing in force, until the maturity of the contract or contracts as refinanced, any insurance coverages provided for therein, subject to the provisions of Section 1803.5. The refinancing agreement shall set forth the amount of the unpaid time balance or balances to be refinanced, the amount of any refund credit, the amount to be refinanced after the deduction of the refund credit, the amount of the service charge under the refinancing agreement, any additional cost of insurance and of official fees to the buyer, the new unpaid time balance and the new schedule of installment payments. Where there is a consolidation of two or more contracts then the provisions of Section 1808.1 and 1808.2 shall apply. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1807.3. [Right of buyer to obtain new payment schedule where contract provides for increased payment of installment.] In the event a contract provides for the payment of any installment which is more than double the amount of the average of the preceding installments the buyer, upon default of this installment, shall be given an absolute right to obtain a new payment schedule. Unless agreed to by the buyer, the periodic payments under the new schedule shall not be substantially greater than the average of the preceding installments. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 8

Add-on Sales

§ 1808.1. [Permission for installment contract to contain provision for subsequent purchases: Increased service charges and payments: Goods previously purchased as security for goods subsequently purchased.]
§ 1808.2. [Allocation of payments when subsequent purchase is made.]
§ 1808.3. [Memorandum when subsequent purchase made.]
§ 1808.4. [Same: Limitation on buyer's obligation until memorandum delivered.]
§ 1808.5. [Determination of service charge.]
§ 1808.6. [Restriction of single minimum service charge to series of add-on transactions.]

§ 1808.1. [Permission for installment contract to contain provision for subsequent purchases: Increased service charges and payments: Goods previously purchased as security for goods subsequently purchased.] A retail installment contract which otherwise conforms to the requirements of this chapter, may contain the provision that the seller may at his option add subsequent purchases made by the buyer to the contract, and that the total price of the goods or services covered by the contract shall be increased by the price of such additional goods or services, and that all service charges and installment payments may at the seller's option be increased proportionately, and that all terms and conditions of the contract shall apply equally to such additional goods or services. The contract may also provide that the goods purchased under the previous contract or contracts shall be security for the goods purchased under the subsequent contract but only until such time as the time sale price under the previous contract or contracts is fully paid. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1808.2. [Allocation of payments when subsequent purchase is made.] When a subsequent purchase is made, the entire amount of all payments made previous thereto shall be deemed to have been applied toward the payment of the previous time sale price or time sale prices. Each payment thereafter received shall be deemed to be allocated to all of the various time sale prices in the same proportion or ratio as the original cash sale prices of the various purchases bear to one another; where the amount of each installment payment is increased in connection

with the subsequent purchase, the subsequent payments (at the seller's election) may be deemed to be allocated as follows: an amount equal to the original rate, to the previous time sale price, and an amount equal to the increase, to the subsequent time sale price. However, the amount of any initial or down payment on the subsequent purchase shall be deemed to be allocated in its entirety to such purchase. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1808.3. [Memorandum when subsequent purchase made.] When a subsequent purchase is made the seller shall deliver to the buyer, prior to the due date of the first installment, a memorandum which shall set forth the following:

(a) The names of the seller and the buyer, the place of business of the seller, the residence or place of business of the buyer as specified by the buyer and a description of the goods and services sufficient to identify them. Services or multiple items of goods may be described in general terms and may be described in detail in a separate writing.

(b) The cash sale price of the goods, services and accessories which are the subject matter of the new retail installment sale.

(c) The amount of the buyer's down payment, itemizing the amounts paid in money and in goods and containing a brief description of the goods, if any, traded in.

(d) The difference between item (b) and item (c).

(e) The amount, if any, included for insurance, specifying the coverages and the cost of each type of coverage.

(f) The amount, if any, of official fees.

(g) The unpaid balance, which is the sum of items (d), (e) and (f).

(h) The unpaid time balance of the prior contract or contracts.

(i) The new unpaid balance, which is the sum of items (g) and (h).

(j) The amount of the service charge computed in conformity with Section 1808.5.

(k) The consolidated time balance, which is the sum of items (i) and (j), payable by the buyer to the seller, the number of installments required, the amount of each installment expressed in dollars and the due date or period thereof.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the computations made in determining the amount to be paid by the buyer.

This memorandum shall contain the statement that the seller is adding the subsequent purchase to the buyer's existing contract in accordance with the provisions thereof. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1808.4. [Same: Limitation on buyer's obligation until memorandum delivered.] Until the seller delivers to the buyer the memorandum as provided in Section 1808.3 the buyer shall be obligated to pay only the cash sale price of the subsequent purchase. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1808.5. [Determination of service charge.] Subject to the other provisions of Article 5, the service charge to be included in a consolidated time balance shall be determined by applying the service charge at the applicable rate specified in that article to either:

(a) The total of the unpaid balance of the subsequent contract and the unpaid balance of any previous contract included in the consolidated total determined by deducting from the then unpaid time balance thereof any then unearned service charge in an amount not less than the refund credit for anticipation provided for in Article 6 of this chapter (computed, however, without the allowance of any minimum earned service charge), for the period from the date thereof to and including the date when the final installment of such consolidated total is payable; or

(b) The principal balance of the subsequent contract for the period from the date thereof to and including the date when the final installment of such consolidated total is payable and, if the due date of the final installment of such consolidated total is later than the due date of the final installment of any previous contract included in the consolidated total, on the time balance then unpaid on such previous contract from the date when the final installment thereof was payable to the date when the final installment of such consolidated total is payable. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1808.6. [Restriction of single minimum service charge to series of add-on transactions.] The minimum service charge as provided in subsection (c) of Section 1805.1 may be used but once in any series of add-on transactions. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 9

Terms of Purchase by Financing Agency

§ 1809.1. [Right of financing agency to purchase contract or account from seller: Absence of requirement of notice to buyer or of discontinuance seller's dominion over payments.] Notwithstanding any contrary provision of this title a financing agency may purchase a retail installment contract or installment account from a seller on such terms and conditions and for such price as may be mutually agreed upon. No filing of notice or of the assignment, no notice to the buyer of the assignment, and no requirement that the seller be deprived of dominion over payments upon the contract or installment account or over the goods if repossessed by the seller, shall be necessary to the validity of a written assignment of a contract or installment account as against creditors, subsequent purchasers, pledgees, mortgagees or encumbrancers of the seller, except as may otherwise be required by law. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 10

Retail Installment Accounts

§ 1810.1. [Right to establish retail installment account: requirement of statement negating excessive service charges.]
§ 1810.2. [Seller's confirmation of his acceptance of buyer's credit: Contents: Size of type: Record of mailing as prima facie evidence of compliance.]
§ 1810.3. [Seller's display of statement as to authorized service charge rates.]
§ 1810.4. [Authorized service charges.]
§ 1810.5. [Seller's or holder's statement of buyer's account.]
§ 1810.6. [Service charge as including other incidental fees and charges: Attorney's fees and costs.]
§ 1810.7. [Required agreement where cost of insurance is separately charged to buyer.]
§ 1810.8. [Right of seller to obtain security interest in goods sold; Add-on transaction.]
§ 1810.9. [Prohibition against requiring buyer's execution of note cutting off his right of action or defense against seller.]
§ 1810.10. [Application of provisions governing credit sales payments generally to retail installment accounts.]
§ 1810.11. [Absence of effect of statute on agreements entered into prior to statute's effective date: Reduction of excessive rate to permissible rate.]

§ 1810.1. [Right to establish retail installment account: Requirement of statement negating excessive service charges.] A retail installment account may be established by the seller upon the request of a buyer or prospective buyer. The statement that "service charges not in excess of those permitted by law will be charged on the outstanding balances from month to month," shall be printed in type no smaller than eight point in every application form used by the seller and shall be stated to the applicant when such installment accounts are negotiated by telephone. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.2. [Seller's confirmation of his acceptance of buyer's credit: Contents: Size of type: Record of mailing as prima facie evidence of compliance.] At the time a seller accepts the credit of the buyer and establishes a retail installment account for his use, the seller shall confirm this fact to the buyer in writing. Such confirmation shall contain a clear and understandable statement of the rates of service charge, without regard to the variations contained in Section 1810.4, which will be collected from the buyer, but may contain the clause that such rates are subject to change if permitted by law. This confirmation shall also contain a legend that the buyer may at any time pay his entire balance.

(a) The confirmation shall be in type no smaller than elite typewriter characters.

(b) If no copy of the confirmation is retained by the seller, a notation in his permanent record showing that such confirmation was mailed, and the date of the mailing, shall serve as prima facie evidence of such mailing. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.3. [Seller's display of statement as to authorized service charge rates.] Each retail seller, before he can avail himself of the service charges permitted by this article, shall display prominently in his main place of business and in each branch thereof, a statement outlining the service charge rates which will conform to Section 1810.4 of this article. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.4. [Authorized service charges.] Subject to the other provisions of this article the seller or holder of a retail installment account may charge, receive and collect the service charge authorized by this chapter. The service charge shall not exceed the following rates computed on the outstanding balances from month to month:

(a) On so much of the outstanding balance as does not exceed one thousand dollars ($1,000), 1½ percent per month.

(b) If the outstanding balance is more than one thousand dollars ($1,000), 1 percent per month on the exeess over one thousand dollars ($1,000) of the outstanding balance.

(c) If the service charge so eomputed is less than one dollar ($1) for any month, one dollar ($1).

(d) The service charge may be computed on a schedule of fixed amounts if as so computed it is applied to all amounts of outstanding balances equal to the fixed amount minus a differential of not more than five dollars ($5) provided that it is also applied to all amounts of outstanding balances equal to the fixed amount plus at least the same differential. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.5. [Seller's or holder's statement of buyer's account.] The seller or holder of a retail installment account shall promptly provide the buyer with a statement as of the end of each monthly period (which need not be a calendar month) setting forth the following:

(a) The balance due to the seller or holder from the buyer at the beginning of the monthly period.

(b) The dollar amount of eaeh purchase by the buyer during the monthly period and, (unless a sales slip or memorandum of each purchase has previously been furnished the buyer or is attached to the statement) the purchase or posting date, a brief description and the cash price of each purchase.

(c) The payments made by the buyer to the seller or holder and any other credits to the buyer during the monthly period.

(d) The amount of the service charge.

(e) The total balance in the account at the end of the monthly period.

(f) A legend to the effect that the buyer may at any time pay his total balance.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the computations made in determining the amount to be paid by the buyer. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.6. [Service charge as including other incidental fees and charges: Attorney's fees and costs.] The service charge shall include all eharges incident to investigating and making the retail installment account. No fee, expense, delinquency, collection or other charge whatsoever shall be taken, received, reserved or contracted by the seller or holder of a retail installment account except as provided in this section. A seller may, however, in an agreement which is signed by the buyer and of which a copy is given or furnished to the buyer provide for the payment of attorney's fees and costs in eonformity with Artiele 11 of this chapter.

§ 1810.7. **[Required agreement where cost of insurance is separately charged to buyer.]** If the cost of any insurance is to be separately charged to the buyer, there shall be an agreement to this effect, signed by both the buyer and the seller, a copy of which shall be given or furnished to the buyer. Such agreement shall state whether the insurance is to be procured by the buyer or the seller or holder. If the insurance is to be procured by the seller or holder, the seller or holder shall comply with the provisions of Section 1803.5. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.8. **[Right of seller to retain security interest in goods sold: Add-on transaction.]** Nothing in this article prohibits the execution of an agreement between a buyer and seller whereby the seller retains a security interest in goods sold to the buyer until full payment therefor has been made. The provisions of Section 1808.2 are applicable to goods sold under such an agreement. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.9. **[Prohibition against requiring buyer's execution of note cutting off his right of action or defense against seller.]** No retail installment account shall require or entail the execution of any note or series of notes by the buyer which when separately negotiated will cut off as to third parties any right of action or defense which the buyer may have against the seller. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.10. **[Application of provisions governing credit sales payments generally to retail installment accounts.]** The provisions of Sections 1806.1 and 1806.4 shall be applicable to retail installment accounts. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1810.11. **[Absence of effect of statute on agreements entered into prior to statute's effective date: Reduction of excessive rate to permissible rate.]** Nothing in this article shall be construed to affect the validity of any agreement or contractual relationship entered into prior to January 1, 1960, except that any rate in excess of that allowed by this article shall be reduced to the permissible rate on or before January 1, 1960. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 11

Attorney's Fees and Court Costs

§ 1811.1. **[Award to prevailing party: Defendant as prevailing party on alleging, making, and proving tender.]** **[1]** Reasonable attorney's fees and costs shall be awarded to the prevailing party in any action on a contract or installment account subject to the provisions of this chapter regardless of whether such action is instituted by the seller, holder or buyer. Where the defendant alleges in his answer that he tendered to the plaintiff the full amount to which he was entitled, and thereupon deposits in court, for the plaintiff, the amount so tendered, and the allegation is

found to be true, then the defendant is deemed to be a prevailing party within the meaning of this article. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960; Am. Stats. 1961, ch. 1214, § 6.]

1. Deleted: "A contract or installment account may provide for the payment of reasonable attorney's fees and actual court costs if it is referred to an attorney for collection."

ARTICLE 12

Attachment

§ 1812.1. [Exemption of wages from attachment.] In addition to any existing exemption under any other provisions of law, the salary or wages of a defendant are exempt from attachment for a period of 60 days from the date of default of the contract or installment account for any claim arising out of a contract or installment account subject to the provisions of this chapter. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

ARTICLE 12.1

Repossession and Resale

§ 1812.2. [Right of holder to retake goods on buyer's default: Notice of intention to sell or retain goods: Right of redemption: Statement of amount due: Forfeiture on, and liability for, failure to furnish statement.]
§ 1812.3. [Manner of notice of intention to sell or retain goods.]
§ 1812.4. [Application of proceeds of holder's resale.]
§ 1812.5. [Deficiency judgment: Determination as to value of goods at time of resale: Waiver of claim for deficiency on failure to resell within reasonable time: Holder's election of remedy.]

§ 1812.2. [Right of holder to retake goods on buyer's default: Notice of intention to sell or retain goods: Right of redemption: Statement of amount due: Forfeiture on, and liability for, failure to furnish statement.]

In the event of any default by the buyer in the performance of his obligations under a contract or installment account, the holder, pursuant to any rights granted therein, may proceed to recover judgment for the balance due without retaking the goods, or he may retake the goods and proceed as hereinafter provided. If he retakes the goods, he shall, *within 10 days,* give notice to the buyer of his intention to sell the goods at public sale or give notice to the buyer of his intention to retain the goods in satisfaction of the balance due. *The notice must state the amount of the overdue payments, that the buyer must pay, if he pays within 10 days of the notice, in order to redeem the goods.* In either case the buyer shall have an absolute right to redeem the goods within 10 days after the notice is given by paying or tendering the amount owing under the contract. **[1]** If the holder gives notice of election to sell the goods the buyer shall also have the absolute right to redeem the goods at any time before sale by paying or tendering the amounts specified above and also any expense reasonably incurred by the seller or holder in good faith in repairing, reconditioning the goods or preparing them for sale. If the

holder gives notice of his intention to retain the goods in satisfaction of the indebtedness he shall be deemed to have done so at the end of the 10-day period if the goods are not redeemed; **[2]** *at the time the notice is given,* the holder shall furnish the buyer a written statement of the sum due under the contract and the expenses provided for in this section. For failure to render such a statement **[3]** the holder shall forfeit to the buyer ten dollars ($10) and also be liable to him for all damages suffered because of such failure. [Amended by Stats 1961 ch 1214 § 7; Stats 1963 ch 1952 § 1.]

1. Deleted: "and any expense of taking, keeping and storage"
2. Deleted: "Upon written demand of the buyer"
3. Deleted: "within a reasonable time"

§ 1812.3. [Manner of notice of intention to sell or retain goods.] The notice provided for in Section 1812.2 shall be given to the buyer and any other person liable by causing it to be delivered personally or to be deposited in the United States mail addressed to the buyer or to such other person at his last known address and shall advise the buyer or such other person of his right to redeem as provided for in Section 1812.2. If the holder determines to sell the goods at public sale he shall give notice of the time and place of sale at least 10 days before the date of sale by delivering a copy of the notice personally to the buyer or other person liable or depositing the same in the United States mail addressed to the buyer or such other person at his last known address **[1].** [Amended by Stats 1961 ch 1214 § 8.]

1. Deleted: "and by publication at least once in a newspaper of general circulation in the county in which the sale is to be held"

§ 1812.4. [Application of proceeds of holder's resale.] The proceeds of a resale shall be applied (1) to the payment of the expenses thereof, (2) to the payment of any expenses of retaking, including reasonable attorney's fees actually incurred, and of any expenses of keeping, storing, repairing, reconditioning or preparing the goods for sale to which the holder may be entitled, (3) to the satisfaction of the balance due under the contract. Any sum remaining after the satisfaction of such claims shall be paid to the buyer. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1812.5. [No right to deficiency judgment.] *If the proceeds of the sale are not sufficient to cover items (1), (2) and (3) of Section 1812.4, the holder may not recover the deficiency from the buyer or from anyone who has succeeded to the obligations of the buyer.* [Amended by Stats 1963 ch 1952 § 2.]

ARTICLE 12.2

Penalties

§ 1812.6. [Grade of offense when statute violated.]
§ 1812.7. [Noncompliance with statute as bar to recovery by seller or other holder with notice: Right of buyer to recover charges in case of statutory violation.]
§ 1812.8. [Right to rectify statutory violation and thereby obviate penalty: Manner of correction: Credit for amount improperly collected.]
§ 1812.9. [Right of buyer to treble damages for violation respecting add-on sales: Bar of seller from recovery of charges.]

§ 1812.6. [Grade of offense when statute violated.] Any person who shall willfully violate any provision of this chapter shall be guilty of a misdemeanor. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1812.7. [Noncompliance with statute as bar to recovery by seller or other holder with notice: Right of buyer to recover charges in case of statutory violation.] In case of failure by any person to comply with the provisions of this chapter, such person or any person who acquires a contract or installment account with knowledge of such noncompliance is barred from recovery of any time price differential or service charge or of any delinquency, collection, extension, deferral or refinance charge imposed in connection with such contract or installment account and the buyer shall have the right to recover from such person an amount equal to any of such charges paid by the buyer. [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960.]

§ 1812.8. [Right to rectify statutory violation and thereby obviate penalty: Manner of correction: Credit for amount improperly collected.] *Notwithstanding the provisions of this article, any failure to comply with any provision of this chapter may be corrected by the holder in accordance with the provisions of this section, provided that a willful violation may not be corrected, and a correction which will increase the amount owed by the buyer or the amount of any payment shall not be effective unless the buyer concurs in writing to the correction. If a violation is corrected by the holder in accordance with the provisions of this section, neither the seller nor the holder shall be subject to any penalty under this article. The correction shall be made by delivery to the buyer of a corrected copy of the contract within 30 days of the execution of the original contract by the buyer. Any amount improperly collected from the buyer shall be credited against the indebtedness evidenced by the contract.* [Added by Stats. 1959, ch. 201, § 1; Operative January 1, 1960; Am. Stats. 1961, ch. 1214, § 9.]

§ 1812.9. [Right of buyer to treble damages for violation respecting add-on sales: Bar of seller from recovery of charges.] **[1]** *In any case in which a person* willfully violates any provision of this chapter in connection with the imposition, computation or disclosures of or relating to a time price differential or service charge on a consolidated total of two or more contracts under the provisions of Article 8 of this chapter, **[2]** the buyer may recover from such person an amount equal to three times the total of the time price differentials or service charges and any delinquency, collection, extension, deferral or refinance charges imposed, contracted for or received on all contracts included in the consolidated total and the seller shall be barred from the recovery of any such charges. [Amended by Stats 1961 ch 1214 § 10.]

1. Deleted: "Section 1812.8 shall not apply to any person who"
2. Deleted: "and"

ARTICLE 9 OF PERSONAL PROPERTY LAW
MOTOR VEHICLE RETAIL INSTALMENT SALES ACT

Section 301. Definitions.
302. Requirements as to retail instalment contracts.
303. Credit service charge limitation.
304. Cancellation of contract.
305. Credit upon anticipation of payments.
306. Refinancing.
307. Penalties.
308. Waiver.
309. Exceptions.
310. Severability.
311. Short title.
312. [Credit on health and accident insurance upon cancellation thereof or anticipation of payments.]
313. Guaranties to sellers of liabilities of buyers under retail instalment contracts.

§ 301. Definitions. In this article, unless the context or subject matter otherwise requires:

1. "Motor vehicle" or "vehicle" means any device propelled or drawn by any power other than muscular power, upon or by which any person or property is or may be transported or drawn upon a public highway, road or street.

2. "Retail buyer" or "buyer" means a person who buys a motor vehicle from a retail seller and who executes a retail instalment contract in connection therewith.

3. "Retail seller" or "seller" means a person who sells a motor vehicle to a retail buyer under or subject to a retail instalment contract.

4. "Retail instalment sale" or "sale" means a sale, other than for a commercial or business use or for the purpose of resale, of a motor vehicle by a retail seller to a retail buyer for a time sale price payable in two or more instalments, payment of which is secured by a retail instalment contract. The cash sale price of the motor vehicle, the amount, if any, included for insurance, official fees and credit service charge shall together constitute the time sale price.

5. "Retail instalment contract" or "contract" means an agreement, entered into in this state, pursuant to which the title to, the property or a security interest in or a lien upon a motor vehicle, which is the subject matter of a retail instalment sale, is retained or taken by a retail seller from a retail buyer as security, in whole or in part, for the buyer's obligation. The term includes such an agreement wherever entered into if executed by the buyer in this state and if solicited in person by a salesman or other person acting on his own behalf or that of the seller. The term also includes a

contract whereby a security interest in favor of the seller is created or retained and a contract for the bailment or leasing of a motor vehicle by which the bailee or lessee contracts to pay as compensation for its use a sum substantially equivalent to or in excess of its value and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of the motor vehicle upon full compliance with the terms of the contract.

6. "Cash sale price" means the cash sale price stated in a retail instalment contract for which the seller would sell to the buyer, and the buyer would buy from the seller, the motor vehicle which is the subject matter of the retail instalment contract if the sale were a sale for cash instead of a retail instalment sale. The cash sale price may include any taxes, registration, license and other fees and charges for accessories and their installation and for delivering, servicing, repairing or improving the motor vehicle.

7. "Official fees" means the filing or other fees required by law to be paid to a public officer to perfect the interest or lien, in or on a motor vehicle, retained or taken by a seller under a retail instalment contract, and to file or record a release, satisfaction or discharge of the contract.

8. "Credit service charge" means that part of the time sale price by which it exceeds the aggregate of the cash sale price and the amount, if any, included in a retail instalment sale for insurance and official fees.

9. "Financing agency" means a person engaged, in whole or in part, in the business of purchasing retail instalment contracts from one or more retail sellers. The term includes but is not limited to a bank, trust company, private banker, industrial bank or investment company, if so engaged. The term also includes a retail seller engaged, in whole or in part, in the business of holding retail instalment contracts acquired from retail buyers.

10. The "holder" of a retail instalment contract means the retail seller of the motor vehicle under or subject to the contract or, if the contract is purchased by a financing agency or other assignee, the financing agency or other assignee.

11. "Person" means an individual, partnership, corporation, association or other group, however organized.

12. Words in the singular include the plural and vice versa.

§ 302. Requirements as to retail instalment contracts. 1. A retail instalment contract shall be in writing, shall contain all the agreements of the parties and shall be signed by the buyer and the seller.

2. The printed portion of the contract shall be in at least eight point type. The contract shall contain printed or written in a size equal to at least ten-point bold type:

(a) Both at the top of the contract and directly above the space reserved for the signature of the buyer, the words "RETAIL INSTALMENT CONTRACT";

(b) A specific statement that liability insurance coverage for bodily injury and property damage caused to others is not included, if that is the case; and

(c) One of the following notices: "NOTICE TO THE BUYER: 1. Do not sign this contract before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this contract when you sign it. 3. Under the law, you have the following rights, among others: (a) To pay off in advance the full amount due and to obtain a partial refund of the credit service charge; (b) To redeem the property if repossessed for a default; (c) To require, under certain conditions, a resale of the property if repossessed. 4. According to law you have the privilege of purchasing the insurance on the motor vehicle provided for in this contract from an agent or broker of your own selection," or "NOTICE TO THE BUYER: 1. Do not sign this agreement before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this agreement. 3. Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the credit service charge. 4. According to law you have the privilege of purchasing the insurance on the motor vehicle provided for in this contract from an agent or broker of your own selection."

3. The seller shall deliver to the buyer, or mail to him at his address shown on the contract, a copy of the contract signed by the seller. Until the seller does so, a buyer who has not received delivery of the motor vehicle shall have an unconditional right to cancel the contract and to receive immediate refund of all payments made and redelivery of all goods traded-in to the seller on account of or in contemplation of the contract. Any acknowledgement by the buyer of delivery of a copy of the contract shall be printed or written in a size equal to at least ten point bold type and, if contained in the contract, shall also appear directly above the legend required above the buyer's signature by sub-division two (a) of this section.

4. The contract shall contain the names of the seller and the buyer, the place of business of the seller, the residence or place of business of the buyer as specified by the buyer and a description of the motor vehicle including its make, year model, model and identification numbers or marks.

5. The contract shall contain the following items:

(1) The cash sale price of the motor vehicle which is the subject matter of the retail instalment sale;

(2) The amount of the buyer's down payment, itemizing the amounts paid in money and in goods and containing a brief description of the goods, if any, traded-in;

(3) The difference between items one and two;

(4) The amount, if any, included for insurance, specifying and describing the coverages and the amount included for each type of coverage; however, if any insurance policy complies with the standard provisions form for automobile physical damage policy,

or any other automobile physical damage policy form which is equally or more favorable to the insured and which is filed with the superintendent of insurance, the contract need not contain a description of any type of coverage under such standard automobile physical damage policy form or a specification of the amount included in the contract therefor if it contains a specification of the type or types of coverage and the total amount included in the contract therefor;

(5) The amount of official fees, as defined in section three hundred one;

(6) The principal balance, which is the sum of items three, four and five;

(7) The amount of the credit service charge;

(8) The time balance, which is the sum of items six and seven, payable in instalments by the buyer to the seller, the number of instalments required, the amount of each instalment expressed in dollars and the due date or period thereof;

(9) The time sale price.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the calculations involved in determining the stated time balance to be paid by the buyer.

6. The amount, if any, included for insurance, shall not exceed the premiums chargeable in accordance with rate filings made with the superintendent of insurance for similar insurance. The seller or financing agency, if insurance on the motor vehicle is included in a retail instalment contract, shall within thirty days after execution of the retail instalment contract send or cause to be sent to the buyer a policy or policies or certificate of insurance, written by an insurance company authorized to do business in this state, clearly setting forth the amount of the premium, the kind or kinds of insurance and the scope of the coverage and all the terms, exceptions, limitations, restrictions and conditions of the contract or contracts of insurance. The buyer of a motor vehicle under a retail instalment contract shall have the privilege of purchasing such insurance from an agent or broker of his own selection and of selecting an insurance company acceptable to the seller; provided, however, that the inclusion of the insurance premium in the retail instalment contract when the buyer selects the agent, broker or company, shall be optional with the seller and in such case the seller or financing agency shall have no obligation to send, or cause to be sent, to the buyer the policy or certificate of insurance. Nothing contained in this subdivision however shall be deemed to modify, limit or in any way contravene the provisions of section four hundred forty-two-a of the penal law.

If any such policy or certificate of insurance on the motor vehicle is cancelled, the unearned insurance premium refund received by the holder of the contract, or, if the amount included therefor in the contract exceeds the cost to the holder of the contract for such insurance, the unearned portion of the amount so included, together

with the unearned portion of the credit service charge applicable thereto, shall be credited to the final maturing instalments of the retail instalment contract except to the extent applied toward payment for similar insurance protecting the interests of the buyer and the holder of the contract or either of them.

The amount, if any, included for group credit life insurance or for insurance other than on the motor vehicle shall not exceed the premiums chargeable in accordance with rate filings made with the superintendent of insurance for such insurance by the insurer. If such group credit life or other insurance is cancelled the refund for unearned insurance premiums received or receivable by the holder of the contract, or the excess of the amount included in the contract for group credit life insurance over the premiums paid or payable by the holder of the contract therefor, together with, in either case, the unearned portion of the credit service charge applicable thereto, shall be credited to the final maturing instalments of the retail instalment contract, provided that no such credit need be made if the amount thereof would be less than one dollar.

7. The holder of a retail instalment contract may, if the contract so provides, collect a delinquency and collection charge on each instalment in default for a period not less than ten days in an amount not in excess of five percent of each instalment or five dollars, whichever is less. In addition to such delinquency and collection charge, the retail instalment contract may provide for the payment of attorneys' fees not exceeding fifteen percent of the amount due and payable under such contract where such contract is referred to an attorney not a salaried employee of the holder of the contract for collection, plus the court costs.

8. No retail instalment contract shall be signed by any party thereto when it contains blank spaces to be filled in after it has been signed except that, if delivery of the motor vehicle is not made at the time of the execution of the contract, the identifying numbers or marks of the motor vehicle or similar information and the due date of the first instalment may be inserted in the contract after its execution. The buyer's written acknowledgement, conforming to the requirements of subdivision three of this section, of delivery of a copy of a contract shall be conclusive proof of such delivery and of compliance with this subdivision in any action or proceeding by or against an assignee of the contract without knowledge to the contrary when he purchases the contract.

9. No retail instalment contract shall require or entail the execution of any note or series of notes by the buyer, which when separately negotiated will cut off as to third parties any right of action or defense which the buyer may have against the seller. An agreement by the buyer in a retail instalment contract not to assert against an assignee a claim or defense arising out of the sale shall be enforceable only by an assignee who acquires the contract in good faith and for value and to whom the buyer has not mailed written notice of the facts giving rise to the claim or defense within ten days after he mails to the buyer, at his address shown on the contract, notice of the assignment, indicating or containing in the

notice or in an enclosure with the notice: the name and address of the assignee, the names of the seller and the buyer and a description of the vehicle which is the subject matter of the contract, (including its make, year model, model and identification numbers or marks, and whether new or used), the time balance of the contract, the number and amount of instalments in which the time balance is payable and the due date or period thereof, together with the following legend printed or written in a size equal to at least eight point bold type: NOTICE:

1. IF THE WITHIN STATEMENT OF YOUR TRANSACTION WITH THE SELLER IS NOT CORRECT IN EVERY RESPECT; OR

2. IF THE VEHICLE OR GOODS DESCRIBED IN OR IN AN ENCLOSURE WITH THIS NOTICE HAVE NOT BEEN DELIVERED TO YOU BY THE SELLER OR ARE NOT NOW IN YOUR POSSESSION; OR

3. IF THE SELLER HAS NOT FULLY PERFORMED ALL HIS AGREEMENTS WITH YOU; YOU MUST NOTIFY THE ASSIGNEE IN WRITING AT THE ADDRESS INDICATED IN OR IN AN ENCLOSURE WITH THIS NOTICE WITHIN TEN DAYS FROM THE DATE OF THE MAILING OF THIS NOTICE; OTHERWISE, YOU WILL HAVE NO RIGHT TO ASSERT AGAINST THE ASSIGNEE ANY RIGHT OF ACTION OR DEFENSE ARISING OUT OF THE SALE WHICH YOU MIGHT OTHERWISE HAVE AGAINST THE SELLER.

10. Notwithstanding any contrary provision of the personal property law, lien law, banking law or other law: (a) a financing agency may purchase a retail instalment contract from a seller on such terms and conditions and for such price as may be mutually agreed upon; and (b) no filing of the assignment, no notice to the buyer of the assignment, and no requirement that the seller be deprived of dominion over payments upon the contract or over the vehicle if repossessed by or returned to the seller, shall be necessary to the validity of a written assignment of a retail instalment contract as against creditors, subsequent purchasers, pledgees, mortgagees or encumbrancers of the seller.

11. Unless the buyer has notice of actual or intended assignment of a retail instalment contract, payment thereunder made by the buyer to the last known holder of such contract shall be binding upon all subsequent holders or assignees.

12. Upon written request from the buyer, the holder of a retail instalment contract shall give or forward to the buyer a written statement of the dates and amounts of payments and the total amount unpaid under such contract. A buyer shall be given a written receipt for any payment when made in cash.

13. No retail instalment contract shall contain any provision by which:

(a) in the absence of the buyer's default, the holder may, arbitrarily and without reasonable cause, accelerate the maturity of any part or all of the amount owing thereon;

(b) a power of attorney is given to confess judgment in this state, or an assignment of wages is given;

(c) the seller or holder of the contract or other person acting on his behalf is given authority to enter upon the buyer's premises unlawfully, or to commit any breach of the peace in the repossession of the motor vehicle;

(d) the buyer waives any right of action against the seller or holder of the contract, or other person acting on his behalf, for any illegal act committed in the collection of payments under the contract or in the repossession of the motor vehicle;

(e) title to or a lien upon any goods, other than the motor vehicle which is the subject matter of the retail instalment sale, or accessories therefor or special or auxiliary equipment used in connection therewith, or in substitution, in whole or in part, for any thereof is to be given or acquired as security for the payment of the time sale price;

(f) the buyer executes a power of attorney appointing the seller or holder of the contract, or other person acting on his behalf, as the buyer's agent in collection of payments under the contract or in the repossession of the motor vehicle;

(g) the seller is relieved from liability for any legal remedy which the buyer may have had against the seller under the contract, or any separate instrument executed in connection therewith;

(h) the maturity of any part or all of the amount owing thereon is accelerated where, following the buyer's default and the repossession of the motor vehicle, the buyer makes timely tender of an amount which would be sufficient to redeem the vehicle in the absence of such provision.

14. Any such prohibited provision shall be void but shall not otherwise affect the validity of the contract.

§ 303. Credit service charge limitation. 1. A retail seller may contract for in a retail instalment contract and charge, receive and collect the credit service charge authorized by this article at not exceeding the following rates:

(a) Class 1. Any new motor vehicle designated by the manufacturer by a year model not earlier than the year in which the sale is made—not more than seven dollars per one hundred dollars per annum.

Class 2. Any new motor vehicle not in Class 1 and any used motor vehicle designated by the manufacturer by a year model of the same or one or two years prior to the year in which the sale is made—not more than ten dollars per one hundred dollars per annum.

Class 3. Any used motor vehicle not in Class 2—not more than thirteen dollars per one hundred dollars per annum.

The credit service charge authorized by this subdivision on the above classes shall be computed on an amount equal to the total of the difference between the cash sale price of the motor vehicle and the amount of the buyer's down payment, i.e., item (three)

as determined under subdivision five of section three hundred two, and the amount of official fees, i.e., item (five) as determined under subdivision five of section three hundred two;

(b) Not more than seven dollars per one hundred dollars per annum, to be computed on the amount included in the contract for insurance as determined under subdivision six of section three hundred two. Notwithstanding the provisions of that subdivision, the amount of the credit service charge computed in accordance with this paragraph (b) may, at the option of the seller, if the vehicle is in Class 2 or Class 3 as specified in paragraph (a) of this section, be included in the amount, if any, included for insurance in the contract, i.e., item (four) under subdivision five of section three hundred two.

2. The credit service charge at the rates specified in subdivision one shall be computed on the amounts on which they are respectively required to be computed as specified in subdivision one on contracts payable in successive monthly instalments substantially equal in amount extending for a period of one year. On contracts providing for instalments extending for a period less than or greater than one year, the credit service charge shall be computed proportionately.

3. When a retail instalment contract provides for unequal or irregular instalments, the credit service charge shall be at the effective rates provided in subdivision one, having due regard for the schedule of instalments.

4. The credit service charge shall be inclusive of all charges incident to investigating and making the contract, and for the extension of the credit provided for in the contract and no fee, expense or other charge whatsoever shall be taken, received, reserved or contracted for except as provided in this section and in subdivision seven of section three hundred two and three hundred six and for those items expressly provided for in the retail instalment contract as set forth in subdivision five of section three hundred two.

§ 304. Cancellation of contract. After the payment of all sums for which the buyer is obligated under a retail instalment contract, and upon written demand made by the buyer, the holder of such contract shall mail to the buyer at his last known address, good and sufficient instruments to indicate payment in full and to release all security in the motor vehicle.

§ 305. Credit upon anticipation of payments. Notwithstanding the provisions of any retail instalment contract to the contrary, any buyer may pay it in full at any time before the maturity of the final instalment of the time balance thereof and if he does so shall receive and be entitled to receive a refund credit thereon and if the contract included an amount for group credit life insurance, the further refund credit thereon for such anticipation, whether or not the maturity of the time balance of the contract was accelerated by the holder by reason of the buyer's default. The amount of any such refund credit shall represent at least as great a proportion of the credit service charge after first deducting from such credit

service charge an acquisition cost of fifteen dollars, or, if the contract has been extended, deferred or refinanced, of the additional charge therefor, as the sum of the periodic time balances after the month in which prepayment is made, bears to the sum of all the periodic time balances under the schedule of instalments in the contract or, if the contract has been extended, deferred or refinanced, as so extended, deferred or refinanced. Where the amount of the credit for anticipation of payment is less than one dollar, no refund need be made.

The amount of the further refund credit for group credit life insurance shall be equal to the excess of the amount included in the contract for group credit life insurance over the premiums paid or payable by the holder of the contract for such insurance, if such premiums were paid or payable periodically, or the refund for unearned group credit life insurance premium received or receivable by the holder of the contract, if such premium was paid or payable in a lump sum, provided that no such further refund credit need be made if the amount thereof would be less than one dollar.

§ 306. Refinancing. 1. The holder of a retail instalment contract may, upon agreement with the buyer, extend the scheduled due date or defer the scheduled payment of all or any part of any instalment or instalments payable thereunder. The agreement for such extension or deferment must be in writing and signed by the parties thereto. The holder may charge and contract for the payment of an extension or deferred charge by the buyer and collect and receive the same, but such charge may not exceed an amount equal to one per cent per month simple interest on the amount of the instalment or instalments, or part thereof, extended or deferred for the period of extension or deferral. Such period shall not exceed the period from the date when such extended or deferred instalment or instalments, or part thereof, would have been payable in the absence of such extension or deferral, to the date when such instalment or instalments, or part thereof, are made payable under the agreement of extension or deferment; except that a minimum charge of one dollar for the period of extension or deferral may be made in any case where the extension or deferral charge, when computed at such rate, amounts to less than one dollar. Such agreement may also provide for the payment by the buyer of the additional cost to the holder of the contract of premiums for continuing in force, until the end of such period of extension or deferral, any insurance coverages provided for in the contract, subject to the provisions of subdivision six of section three hundred two.

2. The holder of a retail instalment contract may, upon agreement in writing with the buyer, refinance the payment of the unpaid time balance of the contract by providing for a new schedule of instalment payments. The holder may charge and contract for the payment of a refinance charge by the buyer and collect and receive the same, but such refinance charge (1) shall be based upon the amount refinanced, plus any additional cost of insurance and of official fees incident to such refinancing and any accrued collection and delinquency charges, after the deduction of a refund credit

in an amount equal to that to which the buyer would have been entitled under section three hundred five of this chapter if he had prepaid in full his obligations under the contract but, in computing such refund credit, there shall not be allowed such an amount as will bring the earned credit service charge up to fifteen dollars, and (2) may not exceed the rate of credit service charge provided under section three hundred three of this chapter. For the purpose of computing the maximum allowable credit service charge under the agreement for refinancing, a motor vehicle shall be deemed to be in the same class under such agreement as it was under the retail instalment contract pursuant to the provisions of subdivision one of section three hundred three of this chapter. Such agreement for refinancing may also provide for the payment by the buyer of the additional cost to the holder of the contract of premiums for continuing in force, until the maturity of the contract as refinanced, any insurance coverages provided for therein, subject to the provisions of subdivision six of section three hundred two of this chapter. The refinancing agreement shall set forth the amount of the unpaid time balance to be refinanced, the amount of any refund credit, the amount to be refinanced after the deduction of the refund credit, the amount of the credit service charge under the refinancing agreement, any additional cost of insurance and official fees to the buyer, the new unpaid time balance and the new schedule of instalment payments.

§ 307. **Penalties.** 1. Any person who shall wilfully violate any provision of this article shall be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding five hundred dollars.

2. A wilful violation of sections three hundred two or three hundred three by any person shall bar his recovery of any credit service charge, delinquency or collection charge or refinancing charge on the retail instalment contract involved.

3. Notwithstanding the provisions of this section any failure to comply with any provision of this article may be corrected within ten days after the holder is notified thereof in writing by the buyer, or, in the absence of such notice, the seller or holder may voluntarily correct any such failure to comply and, if so corrected, neither the seller nor the holder shall be subject to any penalty under subdivision two of this section.

§ 308. **Waiver.** Any waiver of the provisions of this article by the buyer shall be unenforceable and void.

§ 309. **Exceptions.** The provisions of section three hundred six and of subdivision ten of section three hundred two shall apply to an instalment sale of a motor vehicle for any use.

§ 310. **Severability.** If any provision of this article or the application thereof to any person or circumstance is held unconstitutional, the remainder of the article and the application of such provision to other persons or circumstances shall not be affected thereby.

§ 311. Short title. This article may be cited as "The Motor Vehicle Retail Instalment Sales Act."

§ 312. The provisions of this article requiring refunds and refund credits with respect to group credit life insurance, in cases of cancellation of group credit life insurance or of prepayment of a retail instalment contract shall also require refunds and refund credits with respect to group credit accident, group credit health or group credit accident and health insurance in cases of cancellation of such insurance or prepayment of a retail instalment contract which included such insurance.

§ 313. Guaranties to sellers of liabilities of buyers under retail instalment contracts. No guaranty given to the seller or to the seller and the seller's assignee of the liabilities of a buyer under a retail instalment contract shall be valid unless the guaranty is incorported in or endorsed on the contract or identifies the contract and specifies the time balance thereof or, if the guaranty relates to one or more future retail instalment contracts, it limits the liability of the guarantor to contracts dated within a period of two years from the date of the guaranty and sets forth the maximum amount for which the guarantor shall be liable. A copy of the guaranty shall be given or mailed to the guarantor upon or immediately after the execution and delivery of the original guaranty by the guarantor.

As used in this section, "retail instalment contract" and "contract" include a retail instalment contract as defined in the retail instalment sales act, constituting article ten of this chapter. This section does not apply to a guaranty made by a seller or a holder of a retail instalment contract.

ARTICLE 10 OF PERSONAL PROPERTY LAW
RETAIL INSTALMENT SALES ACT

Section 401. Definitions.
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403. Restrictions on retail instalment contracts and obligations.
404. Credit service charge limitation.
405. Delivery of copy of contract or obligation; buyer's acknowledgment.
406. Notice of assignment; payments.
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410. Add-ons to and consolidations of retail contracts and obligations.
411. Terms of purchase by financing agency.
412. Cancellation.
413. Retail instalment credit agreements.
414. Penalties.
415. Exceptions.
416. Waiver.
417. Severability.
418. Short title.
419. [Credit on health and accident insurance upon cancellation thereof or anticipation of payment.]
420. Guaranties to sellers of liabilities of buyers under retail instalment contracts.
421. Security interests in other goods.

§ 401. Definitions. In this article, unless the context or subject matter otherwise requires:

1. "Goods" means all chattels personal, other than things in action or money, sold for other than a commercial or business use or for purpose of resale. The term includes goods which, at the time of the sale or subsequently, are to be so affixed to realty as to become a part thereof whether or not severable therefrom, but does not include a motor vehicle as defined in article nine of this chapter.

In the case of a retail instalment credit agreement, the term also includes all chattels personal, other than things in action or money, sold for a commercial or business use.

2. "Services" means:

(a) In the case of a retail instalment contract, work, labor and services furnished, or agreed to be furnished, for other than a commercial or business use, in the delivery, installation, servicing, repair or improvement of goods or repairs, alterations or improvements upon or in connection with real property;

(b) In the case of a retail instalment obligation, services of any kind furnished or rendered or agreed to be furnished or rendered, for other than a commercial or business use, except that such services shall not mean nor include (1) services for which the tariffs or the rates, charges, cost or expense is required by law to be filed with or determined or approved by the state or federal government or any official department, division, commission or agency of the state of New York or of the United States, or (2) services by an institution of the university of the state of New York, an elementary school which provides the education required for minors by the state of New York, a nursery school or a kindergarten; and

(c) In the case of a retail instalment credit agreement, services of any kind rendered or furnished or agreed to be rendered or furnished by a retail seller.

3. "Retail seller" or "seller" means a person who sells goods or furnishes or renders or agrees to furnish or render services to a retail buyer. The term includes the lessor under a lease of a department in a shop, store or other establishment if the lessor is liable to customers in respect to goods sold or services furnished or rendered by the leased department and the other operations thereof.

4. "Retail buyer" or "buyer" means a person who buys goods or obtains services from a retail seller.

5. "Retail instalment sale" or "sale" means a sale of goods, or the furnishing or rendering of services, or an agreement to furnish or render services, by a retail seller to a retail buyer for a time sale price payable in instalments.

6. "Retail instalment contract" or "contract" means an agreement entered into in this state, pursuant to which the title to, the property or a security interest in or a lien upon goods, which are the subject matter of a retail instalment sale, is retained or taken by a retail seller from a retail buyer as security, in whole or in part, for the buyer's obligation. The term includes such an agreement wherever entered into if executed by the buyer in this state and if solicited in person by a salesman or other person acting on his own behalf or that of the seller. The term also includes a contract whereby a security interest in favor of the seller is created or retained and a contract for the bailment or leasing of goods by which the bailee or lessee contracts to pay as compensation for their use a sum substantially equivalent to or in excess of their value and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of the goods upon full compliance with the terms of the contract. The term does not include a contract which is intended to be and is ultimately insured or guaranteed under title three of the act of Congress entitled "Servicemen's Readjustment Act of 1944".

7. "Retail instalment obligation" or "obligation" means an agreement, entered into in this state, pursuant to which the buyer promises to pay, in instalments, the time sale price or prices of goods and/or services, or any part thereof. The term includes such

an agreement wherever entered into if executed by the buyer in this state and if solicited in person by a salesman or other person acting on his own behalf or that of the seller. The term does not include (a) a retail instalment contract, (b) a retail instalment credit agreement, or (c) an obligation which is intended to be and is ultimately insured or guaranteed under title three of the act of Congress entitled "Servicemen's Readjustment Act of 1944".

8. "Retail instalment credit agreement" or "credit agreement" means an agreement entered into in this state, pursuant to which the buyer promises to pay, in instalments, his outstanding indebtedness from time to time to a retail seller, not evidenced by a retail instalment contract or obligation, for one or more items of goods or services, or merchandise certificates to be used solely in exchange for goods and services with a cash sale price in the face amount of such certificates and not redeemable in cash, whenever purchased or obtained, which provides for a service charge and under which instalment payments apply to his outstanding indebtedness from time to time. The term includes such an agreement wherever entered into if executed by the buyer in this state and if solicited in person by a salesman or other person acting on his own behalf or that of the seller. The term also includes a retail instalment credit agreement entered into by a financing agency with a retail buyer as provided in subdivision eleven of section four hundred thirteen of this article.

8-a. "Retail instalment note" or "note" means a promissory note required by the provision of a retail instalment obligation and conforming to the requirements of subdivision two of section four hundred three of this article.

9. "Cash sale price" means the cash sale price stated in a retail instalment contract or obligation for which the seller would sell or furnish to the buyer and the buyer would buy or obtain from the seller the goods or services which are the subject matter of a retail instalment contract or obligation if the sale were a sale for cash instead of a retail instalment sale. The cash sale price may include any taxes and cash sale prices for accessories and services, if any, included in a retail instalment sale.

10. "Time sale price" means the total of the cash sale price of the goods or services and the amounts, if any, included for insurance, official fees and credit service charge.

11. "Credit service charge" means that part of the entire amount agreed to be paid for the goods or services which exceeds the aggregate of the cash sale price thereof and the amounts, if any, included in a retail instalment sale for insurance and official fees.

12. "Service charge" means all charges incident to investigating and making a retail instalment credit agreement and for the extension of credit thereunder.

13. "Principal balance" means the cash sale price of the goods or services which are the subject matter of the retail instalment sale, plus the amounts, if any, included in a retail instalment sale for insurance and official fees, minus the amount of the buyer's down-payment in money or goods.

14. "Time balance" means the total of the principal balance and the amount of the credit service charge, if any.

15. "Holder" means the retail seller who acquires a retail instalment contract, obligation or credit agreement, or note, executed, incurred or entered into by a retail buyer, or if the contract, obligation, credit agreement or note is purchased by a financing agency or other assignee or endorsee, the financing agency or other assignee or endorsee.

16. "Official fees" means the fees or taxes required by law and actually to be paid to the appropriate public officer to perfect the lien or other security interest, on or in goods, retained or taken by a seller under a retail instalment contract or to record a mortgage on real property taken by a seller or holder to secure a retail instalment contract or obligation or note.

17. "Person" means an individual, partnership, corporation, association or other group, however organized.

18. "Financing agency" means a person engaged in this state, in whole or in part, in the business of purchasing retail instalment contracts, obligations or credit agreements or indebtedness of buyers under credit agreements from one or more retail sellers or entering into credit agreements with retail buyers as provided in subdivision eleven of section four hundred thirteen of this article but shall not include a retail seller. The term includes but is not limited to a bank, trust company, private banker, industrial bank or investment company, if so engaged, but shall not include a retail seller.

19. Words in the singular include the plural and vice versa.

§ 402. Provisions of retail instalment contracts and obligations. 1. A retail instalment contract or obligation shall be dated and in writing; the printed portion thereof shall be in at least eight point type.

2. A contract or obligation shall contain the entire agreement of the parties with respect to the goods and services, and:

(a) Both at the top of the contract or obligation and directly above the space reserved for the signature of the buyer, the words RETAIL INSTALMENT CONTRACT or RETAIL INSTALMENT OBLIGATION, as the case may be, in at least ten point bold type; and

(b) A notice in at least eight point bold type reading as follows: NOTICE TO THE BUYER: 1. Do not sign this agreement before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this agreement. 3. Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the credit service charge.

3. Except as provided in section four hundred ten, a contract or obligation shall:

(a) Contain the names of the seller and the buyer, the place of business of the seller, the residence or place of business of the buyer

as specified by the buyer and an adequate description of the services and goods (including the make and model, if any, in the case of goods customarily sold by make and model); and

(b) Set forth the following items:

(1) (A) the cash sale price of the goods and services which are the subject matter of the retail instalment sale and

(B) the cash sale price of any accessories and services not included in (A), separately itemized;

(2) The amount of the buyer's down-payment, itemizing the amounts paid in money and in goods and containing a brief description of the goods, if any, traded in;

(3) The difference between item one and item two;

(4) The amount, if any, included for insurance, specifying the coverages and the cost of each type of coverage;

(5) The amount, if any, of official fees;

(6) The principal balance, which is the sum of items three, four and five;

(7) The amount of the credit service charge;

(8) The time balance, which is the sum of items six and seven, payable by the buyer to the seller, the number of instalments required, the amount of each instalment expressed in dollars and the due date or period thereof;

(9) The time sale price;

(10) If any instalment substantially exceeds in amount any prior instalment other than the down-payment, the following legend printed in ten point bold type or typewritten: THIS CONTRACT IS NOT PAYABLE IN INSTALMENTS OF EQUAL AMOUNTS. followed, if there be but one larger instalment, by: AN INSTALMENT OF $..... WILL BE DUE ON ..... or, if there be more than one larger instalment, by: LARGER INSTALMENTS WILL BE DUE AS FOLLOWS: ..... (Insert the amount or amounts of every larger instalment and its due date.) In the case of a retail instalment obligation, OBLIGATION shall be substituted for CONTRACT in the required legend.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the computations made in determining the amount to be paid by the buyer.

The amount of the credit service charge may be expressed as a simple interest charge not exceeding six per centum per annum computed on the principal balance unpaid from time to time; if so expressed, the time balance and the time sale price need not be set forth.

4. Except as provided in section four hundred ten, no contract or obligation shall be signed by the buyer when it contains blank spaces to be filled in after it has been signed; however, if delivery of the goods is not made at the time of the execution of the contract or obligation and it so provides, the identifying numbers or marks of the goods and the due date of the first instalment may be left blank and later inserted by the seller in the seller's counterpart of the contract or obligation after it has been signed by the buyer.

5. If the cost of any group credit life or other insurance is included in the contract or obligation and a separate charge is made to the buyer for such insurance:

(a) the contract or obligation shall state whether the insurance is to be procured by the buyer or the seller;

(b) the amount, if any, so included for such insurance, shall not exceed the premiums chargeable in accordance with rate filings made with the superintendent of insurance for such insurance by the insurer; and, if such group credit life or other insurance is cancelled, the refund for unearned insurance premiums received or receivable by the holder of the contract, or the excess of the amount included in the contract for group credit life insurance over the premiums paid or payable by the holder of the contract therefor, together with, in either case, the unearned portion of the credit service charge applicable thereto, shall be credited to the final maturing instalments of the retail instalment contract, provided that no such credit need be made if the amount thereof would be less than one dollar; and

(c) if the insurance is to be procured by the seller or holder, he shall, within thirty days after delivery of the goods or furnishing of the services under the contract or obligation, deliver, mail or cause to be mailed to the buyer, at his address as specified in the contract or obligation, a notice thereof or a copy of the policy or policies of insurance or a certificate or certificates of the insurance so procured.

6. A contract or obligation may provide for the payment by the buyer of a delinquency and collection charge on each instalment in default for a period of not less than ten days in an amount not in excess of five per centum of such instalment or five dollars, whichever is less, provided that only one such delinquency and collection charge may be collected on any such instalment regardless of the period during which it remains in default. A contract or obligation may also provide for the payment of attorney's fees not exceeding twenty per centum of the amount due and payable under such contract or obligation if it is referred to an attorney not a salaried employee of the seller or holder for collection.

7. All of the terms of an obligation need not be contained in a single document but if they are not then there shall be an original document executed by the parties containing provisions making it applicable to purchases of goods or services, which may not exceed a cash sale price of one hundred seventy-five dollars on each purchase, to be made by the buyer from time to time from a retail seller, which document, together with sales slips and other written statements relating to the sale of such goods or services as hereinafter provided, shall constitute a retail instalment obligation and shall contain the entire agreement of the parties. In such cases, the original document shall contain:

(i) a legend as provided in paragraph (a) of subdivision two hereof,

(ii) a notice to the buyer as provided in paragraph (b) of subdivision two hereof,

(iii) the names of the seller and the buyer,

(iv) the place of business of the seller and the residence or place of business of the buyer as specified by the buyer,

(v) the number of instalment payments, and

(vi) the amount or rate of the maximum credit service charge applicable to purchases thereunder.

At the time of the first purchase under such document, the seller shall give the buyer sales slips or other statements relating to the sale of goods or services which, together with such document, shall set forth all the information required by paragraph (b) of subdivision three hereof.

At the time of each succeeding purchase under such document, the seller shall give the buyer sales slips or statements which shall contain at the top thereof a legend in at least eight-point bold type: PART OF A RETAIL INSTALMENT OBLIGATION; and shall set forth the following items:

(a) An adequate description of the goods, accessories and services sold or furnished (including the make and model, if any, in the case of goods customarily sold by make and model);

(b) The cash sale price of the goods, accessories and services sold or furnished;

(c) The amount of the buyer's down-payment, itemizing the amounts paid in money and in goods and containing a brief description of the goods, if any, traded in;

(d) The difference between item (b) and item (c);

(e) The amount, if any, of official fees and insurance, specifying the coverages and the cost of each type of coverage;

(f) The principal balance, which is the sum of items (d) and (e);

(g) The amount of the credit service charge;

(h) The time balance, which is the sum of items (f) and (g), the amount of each instalment expressed in dollars, and the due date or period thereof; and

(i) The time sale price.

If items (g), (h) and (i) are not set forth at the time of purchase, the seller shall promptly thereafter, and in any event within ten days from the date of such purchase, deliver, mail or cause to be mailed to the buyer at his address shown on the seller's records, a statement or account book recording such information. Unless the seller does so, the buyer shall have an unconditional right to cancel such purchase and to receive an immediate refund of any payments made and re-delivery of all goods traded in to the seller on account of or in contemplation of the purchase; upon the written request of the buyer the seller shall prove the accuracy of the calculations in such statement.

Such sales slips, statements, and account books with respect to the first such purchase shall, combined with the original document, constitute the obligation for such purchase; and, on each succeeding purchase pursuant to such original document, the obligation

therefor as represented by such original document and such sales slips and written statements as above required shall constitute a subsequent obligation under section four hundred ten.

§ 402A. Merchandise certificates and obligations therefor. 1. A retail seller may issue merchandise certificates to a retail buyer, to be paid for in instalments and to be used solely in exchange for goods and services with a cash sale price in the face amount of such certificates and not redeemable in cash, pursuant to a document executed by the parties as hereinafter provided, which document, notwithstanding the definition of obligations contained in subdivision seven of section four hundred one, shall constitute a retail instalment obligation for the purpose of this article, shall contain the entire agreement of the parties, and shall be subject to all of the provisions of section four hundred three to four hundred twelve, inclusive, except the provisions of the second sentence of section four hundred five and paragraph (c) of subdivision one of section four hundred ten.

2. On each issue of merchandise certificates, the document evidencing the obligation therefor shall set forth a legend as provided in paragraph (a) of subdivision two of section four hundred two, a notice to the buyer as provided in paragraph (b) of subdivision two of section four hundred two, the names of the seller and the buyer, the residence or place of business of the buyer as specified by the buyer, the face amount of the merchandise certificates issued, and all the information required by items two to ten, inclusive, of paragraph (b) of subdivision three of section four hundred two.

3. A seller may, in such a document, contract for and, if so contracted for charge, receive and collect a credit service charge at rates not exceeding those provided under section four hundred four of this article. Such credit service charge shall be computed on the face amount of merchandise certificates issued to the buyer, less down-payment, if any.

4. The buyer shall have the right to return to the seller at any time all merchandise certificates which have not been exchanged for goods and services, and the seller shall thereupon credit the buyer with the full face amount of such unused merchandise certificates returned and the amount of the pro rata credit service charge thereon, which shall be computed as of the date of issuance of the merchandise certificates so returned. Where the amount of the refund of such credit charge is less than one dollar no refund need be made.

5. (a) Merchandise certificates issued under this section or the cover of the booklet in which they are bound, shall bear:

(i) A legend in at least eight point bold type stating that the buyer may return unused merchandise certificates so purchased at any time and that the seller will give the buyer credit for the full face amount of any certificates so returned and credit for the pro rata credit service charge if the same is one dollar or more;

(ii) A legend in at least eight point bold type reading substantially as follows: If you wish to purchase, with merchandise certificates a single item of goods or services of greater value than the merchandise certificates you now hold, you may save credit service charge by returning your unused merchandise certificates for credit and purchasing new certificates; and

(iii) In the event the statements required by subparagraph (i) and (ii) hereof are set forth on the cover of a booklet in which the merchandise certificates are bound, each certificate shall bear a notice, "NOT GOOD IF DETACHED."

(b) If a retail seller issues merchandise gift certificates to a retail buyer to be paid for in instalments (1) in good faith, and (2) in reliance upon a retail buyers statement that the buyer intends to transfer it to another as a gift, then such certificate need not set forth the legends required by subparagraphs (i) and (ii) above; provided the certificate shall bear the legend "GIFT CERTIFICATE" and the seller shall give the buyer at the time of issuance of such certificate a statement, or facsimile of such certificate, which shall identify such certificate, and shall contain the legend required by subparagraphs (i) and (ii) above.

6. Notwithstanding the provisions of subdivision three of section four hundred three of this article, the buyer shall have the right to return to the holder of a retail instalment obligation executed on or after October first, nineteen hundred sixty-two, for merchandise certificates, at any time all merchandise certificates which have not been exchanged for goods and services, and the holder shall thereupon credit to the obligation to the extent of the amount owing by the buyer thereon the full face amount of such unused merchandise certificates returned and the amount of the pro rata credit service charge thereon, which shall be computed as of the date of issuance of the merchandise certificates so returned. Where the amount of the refund of such credit service charge is less than one dollar no refund need be made.

§ 403. Restrictions on retail instalment contracts and obligations. 1. Except as provided in subdivision two, no contract or obligation shall require or entail the execution of any note or series of notes by the buyer, which when separately negotiated, will cut off as to third parties any right of action or defense which the buyer may have against the seller.

2. If the transaction which gives rise to an obligation is the furnishing of goods or services for repairs, alterations or improvements upon or in connection with real property, the obligation may require or entail the execution of a promissory note but only if it bears on the same side of the note as contains the maker's signature the following legend in at least ten point bold type: "The transaction which gives rise to this note is the furnishing of goods or services for repairs, alterations or improvements upon or in connection with real property. Do not sign this note until the work is fully completed." The provisions of subdivision six of section four hundred two and sections four hundred eight and four hundred

nine shall apply to any such note. No such note which does not set forth the amount of the credit service charge included in its face amount may be negotiated or otherwise transferred without the simultaneous delivery of the related retail instalment obligation. The indorsement of any such note by the payee shall incorporate in substance the payee's representations and warranties that the transaction which gave rise to the note was the furnishing of goods or services for repairs, alterations or improvements upon or in connection with real property in accordance with a retail instalment obligation between the payee and the maker or makers of the note and that the furnishing of such goods or services has been completed in accordance with such retail instalment obligation. Neither the incorporation in a note of the legend not to sign it until the work is fully completed nor the incorporation in the indorsement of a note of the representations and warranties required by this subdivision nor the omission of any or all such representations or warranties shall affect the negotiability of the note or prevent the holder thereof from being a holder in due course.

2-a. The payee of a promissory note provided for in subdivision two and any officer, director, partner or agent of such a payee who, with intent to procure the purchase or discount of such a note by another from the payee, wilfully and falsely makes the representations and warranties provided for in subdivision two of this section, or wilfully fails to make any or all such representations or warranties is guilty of a misdemeanor.

3. No contract or obligation shall contain any provision by which:

(a) The buyer agrees not to assert against an assignee a claim or defense arising out of the sale, but it may contain such a provision as to an assignee who acquires the contract, obligation or obligation together with any related note in good faith and for value and to whom the buyer has not mailed written notice of the facts giving rise to the claim or defense within ten days after such assignee mails to the buyer, at his address shown on the contract or obligation, notice of the assignment, indicating or containing in the notice or in an enclosure with the notice: the name and address of the assignee, the names of the seller and the buyer and a description of the services and goods which are the subject matter of the contract (including the make and model, if any, in the case of goods customarily sold by make and model), the time balance of the contract, the number and amount of instalments in which the time balance is payable and the due date or period thereof, together with the following legend printed or written in a size equal to at least eight point bold type: NOTICE:

1. IF THE WITHIN STATEMENT OF YOUR TRANSACTION WITH THE SELLER IS NOT CORRECT IN EVERY RESPECT: OR

2. IF THE VEHICLE OR GOODS DESCRIBED IN OR IN AN ENCLOSURE WITH THIS NOTICE HAVE NOT BEEN DELIVERED TO YOU BY THE SELLER OR ARE NOT NOW IN YOUR POSSESSION; OR

3. IF THE SELLER HAS NOT FULLY PERFORMED ALL HIS AGREEMENTS WITH YOU; YOU MUST NOTIFY THE ASSIGNEE IN WRITING AT THE ADDRESS INDICATED IN OR IN AN ENCLOSURE WITH THIS NOTICE WITHIN TEN DAYS FROM THE DATE OF THE MAILING OF THIS NOTICE; OTHERWISE, YOU WILL HAVE NO RIGHT TO ASSERT AGAINST THE ASSIGNEE ANY RIGHT OF ACTION OR DEFENSE ARISING OUT OF THE SALE WHICH YOU MIGHT OTHERWISE HAVE AGAINST THE SELLER.

(b) In the absence of the buyer's default, the holder may, arbitrarily and without reasonable cause, accelerate the maturity of any part or all of the amount owing thereunder.

(c) A power-of-attorney is given to confess judgment in this state, or an assignment of wages is given.

(d) The seller or holder of the contract or obligation or other person acting on his behalf is given authority to enter upon the buyer's premises unlawfully or to commit any breach of the peace in the repossession of goods.

(e) The buyer waives any right of action against the seller or holder of the contract or obligation, or other person acting on his behalf, for any illegal act committed in the collection of payments under the contract or obligation or in the repossession of goods.

(f) The buyer executes a power-of-attorney appointing the seller or holder of the contract or obligation, or other person acting on his behalf, as the buyer's agent in collection of payments under the contract or obligation or in the repossession of goods.

(g) The buyer relieves the seller from liability for any legal remedies which the buyer may have against the seller under the contract or obligation or any separate instrument executed in connection therewith.

Any such prohibited provision shall be void but shall not otherwise affect the validity of the contract or obligation.

In the case of a retail instalment obligation or contract by the terms of which the seller agrees to furnish or render services more than ten days after the assignee of the obligation or contract mails to the buyer notice of assignment thereof, as provided in paragraph (a) of this subdivision, then, notwithstanding the provisions of that paragraph, the assignee takes the obligation or contract subject to any defense which would be available to the buyer against the seller and which is predicated upon the seller's subsequent non-performance of the agreed services, unless the seller's non-performance results from the act, omission or default of the buyer or the person to whom the services are to be furnished or rendered by the seller.

4. No seller shall induce a buyer to become obligated at substantially the same time under more than one retail instalment contract or obligation for the purpose of obtaining a higher credit service charge than would apply to one contract or obligation.

5. No retail instalment contract shall contain any provision by which the maturity of any part or all of the amount owing thereon

is accelerated where, following the buyer's default and the repossession of the goods, the buyer makes timely tender of an amount which would be sufficient to redeem the goods in the absence of such provision.

§ 404. Credit service charge limitation. 1. A seller may, in a retail instalment contract or obligation, contract for and, if so contracted for, the holder thereof may charge, receive and collect a credit service charge computed on the principal balance of the contract or obligation from the date thereof to and including the date when the final instalment is payable, at not exceeding the following rates:

(a) On so much of the principal balance as does not exceed five hundred dollars, ten dollars per one hundred dollars per annum;

(b) If the principal balance exceeds five hundred dollars, eight dollars per one hundred dollars per annum on the excess over five hundred dollars; or

(c) If the credit service charge so computed is less than twelve dollars, twelve dollars, but if the due date of the last instalment of the contract or obligation is eight months or less after its date, ten dollars.

2. Except as provided in subdivision three of this section, such credit service charge shall be computed on the principal balance on contracts or obligations payable in successive monthly instalments substantially equal in amount for a period of one year. On contracts or obligations providing for instalments extending for a period less than or greater than one year, the credit service charge shall be computed proportionately.

3. (a) Except as provided in paragraph (b) of this subdivision, when a retail instalment contract or obligation provides for unequal or irregular instalments, the credit service charge shall be at the effective rate provided for in subdivision one of this section, having due regard for the schedule of instalments.

(b) If the amount of any instalment of a retail instalment contract or obligation is two times or more the amount of any other instalment except the down payment, the amount of the credit service charge in respect to the portion of the principal balance included in such larger instalment shall not exceed the equivalent of six per centum per annum simple interest for the period from the date of the contract or obligation to the due date of such larger instalment, payable in substantially equal periodic instalments throughout such period.

4. The credit service charge shall be inclusive of all charges incident to investigating and making the contract or obligation, and for the extension of the credit provided for in the contract or obligation, and no fee, expense or other charge whatsoever shall be taken, received, reserved or contracted for except as otherwise provided in this article.

§ 405. Delivery of copy of contract or obligation; buyer's acknowledgment. The seller shall deliver to the buyer, or mail to him at his address shown on the contract or obligation, an executed

copy thereof. Until the seller does so, a buyer who has not received the goods or services shall have an unconditional right to cancel the contract or obligation and to receive immediate refund of all payments made and redelivery of all goods traded-in to the seller on account of or in contemplation of the contract or obligation. Any acknowledgment by the buyer of delivery of a copy of the contract or obligation shall be printed or written in a size equal to at least ten point bold type and, if contained in the contract or obligation, shall also appear directly above the space reserved for the buyer's signature. The buyer's written acknowledgment, conforming to the requirements of this section, of delivery of a copy of a contract or obligation shall be presumptive evidence of such delivery and of compliance with this section and subdivision four of section four hundred two in any action or proceeding by or against an assignee of the contract or obligation without knowledge to the contrary when he purchases the contract or obligation.

§ 406. **Notice of assignment; payments.** Unless the buyer has notice of actual or intended assignment of a contract, obligation, or credit agreement payment thereunder made by the buyer to the last known holder of such contract, obligation or credit agreement shall be binding upon all subsequent holders or assignees.

§ 407. **Statements of account; receipts.** At any time after its execution, but not later than one year after the last payment thereunder, the holder of a contract or obligation shall, upon written request of the buyer, give or forward to the buyer a written statement of the dates and amounts of payments and the total amount, if any, unpaid thereunder. Such a statement shall be supplied by the holder once each year without charge; if any additional statement is requested by the buyer, the holder shall supply such statement to the buyer at a charge not exceeding one dollar for each additional statement supplied to the buyer. A buyer shall be given a receipt for any payment when made in cash.

§ 408. **Credit upon anticipation of payments.** 1. Notwithstanding the provisions of any contract or obligation to the contrary, any buyer may pay it in full at any time before the maturity of the final instalment of the time balance thereof and if he does so shall receive and be entitled to receive a refund credit thereon and if the contract or obligation included an amount for group credit life insurance a further refund credit thereon for such anticipation, whether or not the maturity of the time balance of the contract was accelerated by the holder by reason of the buyer's default.

2. Except as provided in subdivision three of this section, the amount of any such refund credit shall represent at least as great a proportion of the credit service charge or, if the contract or obligation has been extended, deferred or refinanced, of the additional charge therefor, as the sum of the periodic time balances after the month in which prepayment is made bears to the sum of all the periodic time balances under the schedule of instalments in the contract or obligation or, if the contract or obligation has been extended, deferred or refinanced, as so extended, deferred or refinanced.

3. If any part of the credit service charge is computed on an instalment of a retail instalment contract or obligation as provided in paragraph (b) of subdivision three of section four hundred four of this article, the amount of such refund credit applicable to that part of the credit service charge shall represent at least as great a proportion of that part of the credit service charge as the number of months to elapse after the month in which prepayment is made to the due date of that instalment bears to the number of months from the date of the contract or obligation to the due date of that instalment.

4. Where the amount of the credit for anticipation of payment is less than one dollar no refund need be made. Where the earned credit service charge amounts to less, there may be retained an amount equal to the minimum credit service charge applicable.

5. The amount of the further refund credit for group credit life insurance shall be equal to the excess of the amount included in the contract for group credit life insurance over the premiums paid or payable by the holder of the contract for such insurance, if such premiums were paid or payable periodically, or the refund for unearned group credit life insurance premium paid or payable in a lump sum, provided that no such further refund credit need be made if the amount thereof would be less than one dollar.

§ 409. Refinancing. 1. The holder of a retail instalment contract or obligation or note may, upon agreement with the buyer, extend the scheduled due date or defer the scheduled payment of all or of any part of any instalment or instalments payable thereunder. The agreement for such extension or deferment must be in writing and signed by the parties thereto. The holder may charge and contract for the payment of an extension or deferral charge by the buyer and collect and receive the same, but such charge may not exceed an amount equal to one per centum per month simple interest on the amount of the instalment or instalments, or part thereof, extended or deferred for the period of extension or deferral. Such period shall not exceed the period from the date when such extended or deferred instalment or instalments, or part thereof, would have been payable in the absence of such extension or deferral, to the date when such instalment or instalments, or part thereof, are made payable under the agreement of extension or deferment; except that a minimum charge of one dollar for the period of extension or deferral may be made in any case where the extension or deferral charge, when computed at such rate, amounts to less than one dollar. Such agreement may also provide for the payment by the buyer of the additional cost to the holder of the contract or obligation or note of premiums for continuing in force, until the end of such period of extension or deferral, any insurance coverages provided for in the contract or obligation, subject to the provisions of subdivision five of section four hundred two.

2. The holder of a retail instalment contract or obligation or note may, upon agreement in writing with the buyer, refinance the payment of the unpaid time balance of the contract or obligation or

note by providing for a new schedule of instalment payments. The holder may charge and contract for the payment of a refinance charge by the buyer and collect and receive the same, but such refinance charge (1) shall be based upon the amount refinanced, plus any additional cost of insurance and of official fees incident to such refinancing, after the deduction of a refund credit in an amount equal to that to which the buyer would have been entitled under section four hundred eight if he had prepaid in full his obligations under the contract or obligation or note, but in computing such refund credit there shall not be allowed the minimum earned credit service charge as authorized by such section, and (2) may not exceed the rate of credit service charge provided under section four hundred four of this chapter. Such agreement for refinancing may also provide for the payment by the buyer of the additional cost to the holder of the contract or obligation or note of premiums for continuing in force, until the maturity of the contract or obligation or note as refinanced, any insurance coverages provided for therein, subject to the provisions of subdivision five of section four hundred two of this chapter. The refinancing agreement shall set forth the amount of the unpaid time balance to be refinanced, the amount of any refund credit, the amount to be refinanced after the deduction of the refund credit, the amount of the credit service charge under the refinancing agreement, any additional cost of insurance and of official fees to the buyer, the new unpaid time balance and the new schedule of instalment payments.

§ 410. Add-ons to and consolidations of retail instalment contracts and obligations. 1. A retail instalment contract or obligation which otherwise conforms to the requirements of this article may contain the promise or agreement of the buyer to pay in substantially equal periodic instalments the consolidated total of the principal balance thereof and the unpaid time balance or balances owing by the buyer under one or more previous contracts or obligations, together with a credit service charge; if it does so:

(a) The contract or obligation shall set forth: (1) the amount of and the period between the instalments to be paid by the buyer, or (2) the number and the due date of the instalments to be paid by the buyer, or, otherwise, (3) a statement that either the amount of and the period between the instalments to be paid by the buyer shall be the same as in that contract or obligation, included in the consolidated total, which provides for the highest rate of repayment, or the due date of the last instalment to be paid by the buyer and the period between the instalments shall be the same as in that contract or obligation, included in the consolidated total, which is the last to mature.

(b) Subject to the other provisions of section four hundred four, the credit service charge to be included in such consolidated total may equal but shall not exceed the larger of the amounts determined by applying the credit service charge at the applicable rate or amount specified in that section:

(1) to the total of the principal balance of the subsequent contract or obligation and the principal balance of any previous

contract or obligation included in the consolidated total determined by deducting from the then unpaid time balance thereof any then unearned credit service charge in an amount not less than the refund credit for anticipation provided for in section four hundred eight (computed, however, without the allowance of any minimum earned credit service charge), for the period from the date thereof to and including the date when the final instalment of such consolidated total is payable; or

(2) to the principal balance of the subsequent contract or obligation for the period from the date thereof to and including the date when the final instalment of such consolidated total is payable and, if the due date of the final instalment of such consolidated total is later than the due date of the final instalment of any previous contract or obligation included in the consolidated total, on the time balance then unpaid on such previous contract or obligation from the date when the final instalment thereof was payable to the date when the final instalment of such consolidated total is payable; if the credit service charge on any contract or obligation included in the consolidated total exceeded or exceeds the credit service charge computed at the rate specified in paragraph (a) or (b) of subdivision one of section four hundred four, the total of all such excess may not be more than twelve dollars.

Provided, however, the maximum credit service charge shall not exceed eight dollars per one hundred dollars per annum on that portion of the amount of the principal balance of the subsequent contract or obligation included in the consolidated total by which the consolidated total exceeds five hundred dollars.

(e) Except as required by paragraph (a) of this subdivision, the subsequent contract or obligation need not contain items (seven), (eight) or (nine) otherwise required by paragraph (b) of subdivision three of section four hundred two, but, if it does not, must, at the time the buyer signs the contract or obligation, contain a clear statement of the maximum rate, not exceeding that permitted by section four hundred four, at which the credit service charge will be computed.

(d) The unpaid time balance owing on any previous contract or obligation included in the consolidated total, the total credit service charge, the consolidated total indebtedness of the buyer and the terms of payment thereof shall be inserted in or attached to the subsequent contract or obligation and, except as otherwise provided in paragraph (a) of this subdivision, may be so inserted in or attached to the seller's counterpart thereof after it is signed by the buyer; in such case the seller shall promptly and in any event within ten days from the date of the subsequent contract or obligation deliver, mail or cause to be mailed to the buyer at his address shown on the subsequent contract or obligation a statement of the items so inserted or attached; upon the written request of the buyer, the seller shall prove the accuracy thereof.

2. Where a buyer makes any subsequent purchase of goods under a contract from a seller from whom he had previously purchased goods under one or more contracts and the amounts due

under such previous contract or contracts have not been fully paid, and where the total of the time balance of the subsequent contract and the unpaid time balances owing by the buyer under the previous contracts does not exceed three thousand dollars, such contract, if it otherwise conforms to the requirements of this article, may provide that the goods purchased under the previous contract or contracts shall be security for the goods purchased under the subsequent contract but only until such time as (a) the purchase price under the previous contract or contracts is fully paid, or (b) twenty per centum of the time sale price of the goods purchased under the subsequent contract has been paid, whichever event first occurs.

3. When such subsequent purchase is made, the entire amount of all payments made previous thereto shall be deemed to have been applied toward the payment of the previous purchase or purchases. Each payment thereafter received shall be deemed to be allocated to all of the various purchases in the same proportion or ratio as the original cash sale prices of the various purchases bear to one another; where the amount of each instalment payment is increased in connection with the subsequent purchase, the subsequent payments (at the seller's election) may be deemed to be allocated as follows: an amount equal to the original rate, to the previous purchase, and an amount equal to the increase, to the subsequent purchase. However the amount of any initial or down payment on the subsequent purchase shall be deemed to be allocated in its entirety to such purchase. The provisions of subdivisions two and three of this section shall not apply to cases involving equipment, parts or other merchandise attached or affixed to goods previously purchased or repairs or services rendered by the seller in connection therewith at the buyer's request.

§ 411. Terms of purchase by financing agency. Notwithstanding any contrary provision of the personal property law, lien law, banking law or other law:

1. A financing agency may purchase a retail instalment contract, obligation or credit agreement, or indebtedness of a buyer under a credit agreement, from a seller on such terms and conditions and for such price as may be mutually agreed upon; and

2. No filing of the assignment, no notice to the buyer of the assignment, and no requirement that the seller be deprived of dominion over payments upon the contract, obligation or credit agreement or over the goods if repossessed by or returned to the seller, shall be necessary to the validity of a written assignment of a contract, obligation or credit agreement, or indebtedness under a credit agreement, as against creditors, subsequent purchasers, pledgees, mortgagees or encumbrancers of the seller.

§ 412. Cancellation. After the payment of all sums for which the buyer is obligated under a contract or obligation, and upon written demand made by the buyer, the holder shall deliver, or mail

to the buyer at his last known address, such one or more good and sufficient instruments as may be necessary to acknowledge payment in full and to release all security in the goods. This section does not repeal section seventy-two of this chapter or section two hundred thirty-eight of the lien law.

§ 413. Retail instalment credit agreements. 1. A retail instalment credit agreement shall be dated and in writing and the printed portion thereof shall be in at least eight point type. No retail instalment credit agreement shall be signed by the buyer when it contains blank spaces to be filled in after it has been signed by the buyer. The seller, before he shall be able to avail himself of the rates authorized by subdivision three of this section, shall deliver to the buyer a copy of the credit agreement executed by the seller.

2. Every retail instalment credit agreement shall contain:

(a) The entire agreement of the buyer with respect to the subject matter of the credit agreement;

(b) The names of the seller and of the buyer, the place of business of the seller and the residence or place of business of the buyer as specified by the buyer;

(c) Both at the top thereof and directly above the space reserved for the signature of the buyer, the words RETAIL INSTALMENT CREDIT AGREEMENT in at least ten point bold type;

(d) A provision in at least eight point bold type to the effect that the buyer may at any time pay his total indebtedness; and

(e) A notice in at least eight point bold type reading as follows: NOTICE TO THE BUYER: 1. Do not sign this credit agreement before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this credit agreement.

3. A seller may, in a retail instalment credit agreement, contract for and, if so contracted for, the seller or holder thereof may charge, receive and collect the service charge authorized by this article. The service charge shall not exceed the following rates computed on the outstanding indebtedness from month to month:

(a) On so much of the outstanding indebtedness as does not exceed five hundred dollars, one and one-half per centum per month;

(b) If the outstanding indebtedness is more than five hundred dollars, one per centum per month on the excess over five hundred dollars of the outstanding indebtedness; or

(c) If the service charge so computed is less than seventy cents for any month, seventy cents.

(d) If the credit agreement so provides, the service charge may be computed on a schedule of fixed amounts if as so computed it is applied to all amounts of outstanding balances equal to the fixed amount minus a differential of not more than five dollars, provided that it is also applied to all amounts of outstanding balances equal to the fixed amount plus at least the same differential.

4. The seller or holder under a retail instalment credit agreement shall promptly provide the buyer under the agreement with a

statement as of the end of each monthly period (which need not be a calendar month) setting forth the following:

(a) The balance due to the seller or holder from the buyer at the beginning of the monthly period;

(b) The dollar amount of each purchase (including all the items covered by any sales slip or memorandum) by the buyer during the monthly period and, unless previously furnished by the seller to the buyer, a description, the cash purchase price and the date of each item purchased;

(c) The payments made by the buyer to the seller or holder and any other credits to the buyer during the monthly period;

(d) The amount of the service charge;

(e) A legend to the effect that the buyer may at any time pay his total indebtedness.

The items need not be stated in the sequence or order set forth above; additional items may be included to explain the computations made in determining the amount to be paid by the buyer.

5. The service charge shall include all charges incident to investigating and making the retail instalment credit agreement and for the extension of credit thereunder. No fee, expense, delinquency, collection or other charge whatsoever shall be taken, received, reserved or contracted for by the seller under or holder of a retail instalment credit agreement except as provided in this section and except that the credit agreement may provide for the payment of attorney's fees not exceeding twenty per centum of the amount due and payable under the credit agreement if it is referred to an attorney not a salaried employee of the seller or holder for collection.

6. If the cost of any insurance is to be separately charged to the buyer, the retail instalment credit agreement shall state whether the insurance is to be procured by the buyer or the seller or holder. If the insurance is to be procured by the seller or holder, the seller or holder shall comply with the provisions of subdivision five of section four hundred two.

7. No retail instalment credit agreement shall require or entail the execution of any note or series of notes by the buyer which when separately negotiated will cut off as to third parties any right of action or defense which the buyer may have against the seller.

8. The provisions of subdivisions four and five of section four hundred two A and of sections four hundred six and four hundred twelve hereof shall be applicable to retail instalment credit agreements. The words "credit service charge" in subdivisions four and five of section four hundred two A shall read "service charge" for the purposes of this section.

9. The service charge allowed in subdivision three of this section shall be allowed to a seller or holder under this section only:

(a) If the seller enters into an agreement subject to the provisions of this article with any buyer on or after October first, nineteen hundred fifty-seven; or

(b) In the case of any buyer who had entered into an agreement with a seller prior to October first, nineteen hundred fifty-seven, if the seller or holder delivers or mails to the buyer a copy of a retail instalment credit agreement in conformity with this section duly executed on behalf of the seller and the seller or holder thereafter complies with all the other provisions of this section.

Nothing in this subdivision contained shall be construed to affect the validity or invalidity of any agreement or alleged agreement made prior to October first, nineteen hundred fifty-seven.

10. No retail instalment credit agreement shall contain any provision by which:

(a) In the absence of the buyer's default, the holder may, arbitrarily and without reasonable cause, accelerate the maturity of any part or all of the amount owing thereunder;

(b) A power-of-attorney is given to confess judgment in this state, or an assignment of wages is given;

(c) The buyer waives any right of action against the seller or holder of the agreement, or other person acting on his behalf, for any illegal act committed in the collection of payments under the agreement;

(d) The buyer executes a power-of-attorney appointing the seller or holder of the agreement, or other person acting on his behalf, as the buyer's agent in collecting payments under the agreement; or

(e) The buyer relieves the seller from liability for any legal remedy which the buyer may have against the seller under the agreement or otherwise.

Any such prohibited provision shall be void but shall not otherwise affect the validity of the contract.

11. Provided that the retail instalment credit agreement complies in all other respects with the provisions of this section, a financing agency may enter into a credit agreement with a retail buyer on behalf of one or more retail sellers, who need not be named in the agreement, from whom the financing agency may, with the buyer's consent, purchase or acquire indebtedness of the buyer to be paid in accordance with the agreement. Such a credit agreement shall contain the name and place of business of the financing agency in lieu of those of a retail seller. A financing agency may in such a credit agreement contract for, and if it has so contracted and delivered to the buyer a copy of the credit agreement executed by it, may charge, receive and collect the service charge authorized by this section. Each sales slip or memorandum evidencing a purchase of the buyer to be paid in accordance with such a credit agreement shall refer to the credit agreement between the buyer and the financing agency and contain the name and place of business of the retail seller. A financing agency which purchases from more than one seller indebtedness of a retail buyer to be paid in accordance with such a retail instalment credit agreement entered into by the financing agency with the buyer as provided in this subdivision may charge, receive and collect the service charge authorized by subdivision three of this section only if the service charge so authorized

is computed on the buyer's total outstanding indebtedness to the financing agency from month to month to be paid in accordance with such a retail instalment credit agreement.

§ 414. Penalties. 1. Any person who shall wilfully violate any provision of this article shall be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding five hundred dollars.

2. In case of failure by any person to comply with the provisions of this article, the buyer shall have the right to recover from such person an amount equal to the credit service charge or service charge imposed and the amount of any delinquency, collection, extension, deferral or refinance charge imposed.

3. Notwithstanding the provisions of this section, any failure to comply with any provision of this article may be corrected within ten days after the holder is notified thereof in writing by the buyer and, if so corrected, neither the seller nor the holder shall be subject to any penalty under this section.

4. Subdivision three of this section shall not apply to any person who wilfully violates any provision of this article in connection with the imposition, computation or disclosures of or relating to a credit service charge on a consolidated total of two or more contracts or obligations under the provisions of section four hundred ten, and the buyer may recover from such person an amount equal to the credit service charges and any delinquency, collection, extension, deferral or refinance charges imposed, contracted for or received on all contracts and obligations included in the consolidated total and the seller shall be barred from the recovery of any such charges.

5. Subdivisions one and three of this section shall not apply to any person who violates subdivision two-a of section four hundred three of this article.

§ 415. Exceptions. The provisions of sections four hundred nine and four hundred eleven shall apply to an instalment sale of goods or services for any use.

§ 416. Waiver. Any waiver by the buyer of the provisions of this article shall be unenforceable and void.

§ 417. Severability. If any provision of this article or the application thereof to any person or circumstances is held unconstitutional, the remainder of the article and the application of such provision to other persons or circumstances shall not be affected thereby.

§ 418. Short title. This article may be cited as the "Retail Instalment Sales Act."

§ 419. The provisions of this article requiring refunds and refund credits with respect to group credit life insurance in cases of cancellation of group credit life insurance or of prepayment of a retail instalment contract or obligation shall also require refunds

and refund credits with respect to group credit accident, group credit health or group credit accident and health insurance in cases of cancellation of such insurance or of prepayment of a retail instalment contract or obligation which included such insurance.

§ 420. Guaranties to sellers of liabilities of buyers under retail instalment contracts. No guaranty given to the seller or to the seller and the seller's assignee of the liabilities of a buyer under a retail instalment contract shall be valid unless the guaranty is incorporated in or endorsed on the contract or identifies the contract and specifies the time balance thereof or, if the guaranty relates to one or more future retail instalment contracts, it limits the liability of the guarantor to contracts dated within a period of two years from the date of the guaranty and sets forth the maximum amount for which the guarantor shall be liable. A copy of the guaranty shall be given or mailed to the guarantor upon or immediately after the execution and delivery of the guaranty by the guarantor. As used in this section, "retail instalment contract" and "contract" include a retail instalment contract as defined in the motor vehicle retail instalment sales act, constituting article nine of this chapter. This section does not apply to a guaranty made by a seller or a holder of a retail instalment contract.

§ 421. Security interests in other goods. Except as provided in section four hundred ten of this chapter, whenever, to secure a retail instalment obligation, a security agreement creating a security interest in any goods other than the goods sold is given to the seller, the security agreement shall be set forth either in a separate instrument which shall contain both at the top of the instrument and directly above or below the space reserved for the signature of the buyer either the words SECURITY AGREEMENT AS ADDITIONAL SECURITY or the words CHATTEL MORTGAGE AS ADDITIONAL SECURITY in at least ten point bold type or in the obligation which shall then contain both at the top of the instrument and directly above or below the space reserved for signature of the buyer either the words RETAIL INSTALMENT OBLIGATION AND SECURITY AGREEMENT AS ADDITIONAL SECURITY or the words RETAIL INSTALMENT OBLIGATION AND CHATTEL MORTGAGE AS ADDITIONAL SECURITY in at least ten point bold type. This section does not apply to a mortgage on real property given to secure a retail instalment obligation.

A BRIEF SURVEY OF LEGISLATION AFFECTING RETAIL INSTALMENT SALES IN CANADA, THE UNITED KINGDOM, AUSTRALIA AND THE UNITED STATES

The Interest Act (R.S.C. 1952 C. 156.) has been in existence, in one form or another, since before Confederation. It applies to any contracts or transactions involving interest, but from a practical standpoint it applies almost exclusively to money - lending transactions rather than to the sale of goods on time.

On the whole, the Interest Act has had relatively little effect as far as controlling excessive interest is concerned. By section 2 of the Act, any rate of interest may be charged. Sections 3, 4 and 6 limit the application of section 2 only in the absence of information about the rate of interest being given in the contract.

The Act has not been amended since 1917 and no Department of Government is charged with the responsibility of administering it, consequently an injured party must take the initiative in seeking a remedy.

The Small Loans Act (R.S.C. 1952 C.251) was enacted in 1939 and is administered by the Department of Insurance. The Act contains strict licensing requirements - any lender who wishes to charge more than 1 per cent per month on a loan, the principal amount of which is not more than $1500, is required to be licensed - and gives to the Superintendent of Small Loans far-reaching duties and powers of inspection. It also requires every licensee to file annual reports in prescribed forms.

The maximum rate of interest that a licensed lender may charge is 2 per cent per month on the first $300 of principal, 1 per cent on the next $700, and ½ of 1 per cent on the next $500 up to $1500. This maximum rate includes all other possible charges with the exception of credit life insurance.

Under the Act the borrower is entitled to repay the loan at approximately monthly intervals and is permitted to pay off the loan at any time without bonus or extra charge.

Quebec:

The Quebec Instalment Sales Act 1947 (Articles 1561 a. to 1561 j. of the Quebec Civil Code) governs retail instalment sales of moveables that do not exceed $800 but excludes a wide range of goods, including motor vehicles.

The Act prescribes a minimum down-payment of 15 per cent and a sliding scale of maximum maturity periods and requires that deferred payments be of equal amounts, with the exception of the last one, which may be for a smaller amount.

The buyer is given a right of prepayment, both as to single payments and as to the whole unpaid balance, and is entitled to a rebate of 9 per cent per annum of the instalment or balance which is prepaid.

For each month of the duration of the agreement, the Act permits a maximum finance charge of 3/4 of 1 per cent.

The Act has provisions requiring compulsory disclosure concerning the regular cash price, the time price, the down-payment and the instalments, and the written contract, on the whole, must follow the form prescribed by the Act.

Where the buyer is in default, the seller is put to his election: he may either sue for the unpaid instalments or retake possession of the goods and retain any payments that have been made.

Alberta:

The Credit and Loan Agreements Act (R.S.A. 1955, C.66) requires that retail sales in excess of $50 be in writing or be printed in type not smaller than ten points.

The Act stipulates that time-sale contracts contain the regular cash selling price and the time-sale price where this differs from the cash price. The contract must also indicate any amount charged for insurance or for recording or filing, and any amount charged the buyer for the privilege of purchasing on a time-sale. Also required is the total additional charge, if any, other than court costs to be paid by the buyer in the event of default, expressed as a dollar charge or a rate percentum per annum.

In regard to a loan agreement, the Act requires the contract to state the principal amount of the loan and the amount of money that the borrower will actually receive. Insurance or other charges, in addition to the cost of the loan, must also be indicated. The total cost of the loan must be expressed as a dollar charge or as a rate percentum per annum on the amount actually advanced and on the declining balances thereof from time to time outstanding.

As with the time-sale contract, the loan agreement must indicate the total additional charge, if any, other than court costs to be paid by the borrower in the event of default, expressed as a dollar charge or as a rate percentum per annum.

The Act does not apply to loans made by banks, credit unions or pawnbrokers, or to loans in which the whole charge to the borrower is expressed as a rate percentum per annum on the amount actually borrowed, or to loans made solely upon the security of real property or of commercial property.

An amendment to the Act in 1963 requiring the finance charges for both time-sales and loans to be expressed as a simple annual percentage rate has not yet come into force.

Manitoba:

The Time-Sales Agreement Act, which came into force on September 1st, 1963, requires a time-sale agreement to be in writing or printed in type of not less than ten points in size and signed by the buyer within twenty days of delivery of the goods, which must be described so that they may be readily and easily known and distinguished.

The Act applies, with a few exceptions, to retail sales of over $100, and in its requirements for disclosure is, on the whole, similar to the Credit and Loan Agreements Act of Alberta.

As originally enacted, the Act required a statement of the finance charge as a simple annual rate of interest. This requirement was removed before the Act was brought into force.

Saskatchewan:

The Limitation of Civil Rights Act (R.S.S. 1953, C.95) restricts the seller's rights to his lien on the goods and prohibits him from suing for the purchase price. The Act also empowers the court on the buyer's application to stay repossession proceedings in regard to certain specified items of goods. The buyer need not have a minimum amount before he can invoke the court's jurisdiction, nor is there any ceiling on the purchase price of the goods.

Nova Scotia:

The Instalment Payment Contracts Act (R.S.N.S. 1954, C.131) requires every dealer engaging in conditonal sales and every sales finance company to be licensed.

The Act vests in the Minister of Municipal Affairs, who is the licensing authority, discretionary right to cancel or suspend any licence at any time and authorizes the Minister to appoint inspectors to examine the books of retailers.

New Brunswick:

The New Brunswick Conditional Sales Act (R.S.N.B. 1952, C.34) contained, from 1949 until it was repealed in 1959, a provision requiring a minimum down payment of 15 per cent of the purchase price of certain goods, including motor vehicles, and stipulated that the conditional sale contract provide for full payment of the balance due within twenty-four months of the date of the contract.

The United Kingdom

In England, hire-purchase agreements and credit sales are governed by the provisions of the Hire-Purchase Act, 1938, the Hire-Purchase Act, 1954, the Advertisements (Hire-Purchase) Act, 1957 and the Hire-Purchase Act, 1964.

This legislation, with a few exceptions, applies to all hire-purchase agreements and credit-sale agreements not exceeding £2,000 and protects the hirer's equity in goods by requiring the owner to apply to the court for leave to repossess the goods where more than one-third of the hire-purchase price has been paid. The court, upon such an application being made, is given a discretion to grant the order without reservation or to allow it and postpone its operation upon terms.

Where the hirer has voluntarily terminated the agreement, the owner is entitled to recover only the difference between one-half of the hire-purchase price and the sums already paid.

Advertisements that purport to contain details of payment in respect of any goods must include the amount of the deposit, or a statement that no deposit is payable; the amount of each instalment directly expressed; the total number of instalments payable; the length of the period in respect of which each instalment is payable; the number of instalments, if any, that are payable before delivery of the goods; and the cash price and the hire-purchase price of the goods.

The hirer or buyer is entitled to receive immediately a copy of any agreement or offer signed by him.

Where a sale or hire-purchase agreement is concluded or an offer is signed by a hirer or buyer at a place other than trade premises, the hirer or buyer is entitled to cancel the agreement at any time up to four days following the service upon him of a statutory copy of the agreement.

Private purchasers of vehicles that are subject to undisclosed hire-purchase agreements are protected by a provision stipulating that the hirer under such an agreement shall be deemed to be the owner of the vehicle for the purpose of passing a good title to the private purchaser.

Australia

A uniform Hire-Purchase Act has been enacted in all the states.

This Act does not impose maximum finance charges but empowers a court to re-open a transaction at any time and to reduce any finance charge that the court deems to be unconscionably high.

The Act entitles a hirer to a rebate in the finance charge both where he voluntarily prepays the outstanding balance and where the owner terminates the contract.

The payment of commissions to dealers is prohibited except where the dealer guarantees performance of the hirer's obligations, in which case the commission may not exceed ten per cent of the finance charge.

The United States

As of June, 1960, thirty-one states had a motor-vehicle retail instalment sales law and eighteen had an "all goods" law.

Most of these laws contain compulsory disclosure requirements and also regulate finance charges and the buyer's right to a rebate in the case of prepayment.

The National Conference on Uniform State Laws has been invited by the Council of State Governments to draw up a text in the form of a model act covering all consumer sales.

In the State of California the Unruh Retail Instalment Sales Act came into force on January 1, 1960.

This Act effects a comprehensive regulation of all phases of the business of credit selling of tangible personal property bought primarily for personal, family or household purposes.

The Act requires retail instalment contracts to be in writing and prescribes particular provisions that must appear in such contracts, including specific information regarding price, payments, fees and charges. The Act also stipulates that certain provisions are prohibited in such contracts.

Retail instalment charge account practices are regulated by the Act and written statements that must be presented to the buyer are prescribed.

The Act also prescribes certain information that must appear in advertising.

Specific limitations on service charges made in connection with retail instalment contracts and instalment charge accounts are also established by the Act.

The Act also regulates payment practices, assignment of contracts by sellers, refinancing and consolidation of credit sale contracts, repossession and resale practices, and related matters and specifies that the salary or wages of a buyer shall not be subject to attachment to pay claims arising from such contracts for a period of sixty days after default.

Where there has been knowing failure on the part of a holder of a contract to comply with the provisions of the Act, the Act limits the power of the contract holder to recover time-price differentials and other charges.

In the State of New York, retail instalment sales are governed by the Retail Instalment Sales Act, the All Goods Act, which is Article 10 of the Personal Property Law.

Under this Act, every retail instalment contract must contain a "Notice to the Buyer" in at least eight point bold type, reading as follows:

> "1. Do not sign this agreement before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this agreement. 3. Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the credit service charge."

The Act requires that an executed copy of the retail instalment contract be delivered to the buyer or mailed to his address as shown on the contract. Until the contract is delivered or mailed, unless the buyer has taken possession of the goods, he has an unconditional right to cancel the contract and receive an immediate

refund of all payments he has made.

The retail instalment contract must set forth the following information:

1. The names and addresses of the buyer and of the seller.
2. A description of the goods or services.
3. The cash sale price.
4. The down payment.
5. The difference between the cash sale price and the down payment.
6. The amount for any insurance and the coverage of the insurance.
7. The fees, if any, payable to a public officer.
8. The principal (unpaid) balance.
9. The credit service charge amount.
10. The time balance, this includes the principal (unpaid) balance and the credit service charge.
11. The number of instalment payments and the amount of such payments.
12. The time sale price: the total cost of the goods when bought on time, including the cash price of the goods or service plus the credit service charge and insurance and official fees if any.

Under the Act credit-service charges for goods and services, purchased under the terms of a retail instalment contract or obligation may not exceed the following rates:

1. Where the principal balance is $500 or less, $10 per $100 per annum.
2. Where the principal balance exceeds $500, $8 per $100 on the excess over $500 per annum.
3. If the credit service charge so computed is less than $12, but if the due date of the last instalment of the contract is eight months or less after its date, $10.

In the case of purchases of goods or services pursuant to the terms of revolving credit accounts the Act requires that the service charge shall not exceed the following rates:

1. 1½ per cent per month on outstanding balances of $500 or less.
2. 1 per cent per month on amounts in excess of $500.
3. If the service charge so computed amounts to less than 70 cents for any month, a minimum charge of 70 cents.

In Washington, D.C., Senator Paul H. Douglas of Illinois has introduced the Truth-in-Lending Bill which requires all lenders and credit sellers at the retail level to fully disclose in writing the cost of credit to the borrower before the credit transaction is signed. This written statement would include the total amount of the finance charge expressed in dollars and cents and the percentage that this charge bears to the total amount financed expressed as a simple annual rate on the unpaid balance.

The Unconscionable Transactions Relief Act (R.S.O. 1960, C.410) and the "Barfried Case".

This Act was first enacted in 1912 as the Ontario Money-Lenders Act. It has appeared under its present title since the Revised Statutes of Ontario of 1950.

The Act permits the courts in cases in which it is found that, having regard to the risk and to all the circumstances, the cost of a loan is excessive and the transaction is harsh and unconscionable to reopen the transaction and to impose upon the parties terms that are consistent with fair dealing.

In 1962, one Sampson applied to a County Court judge to revise the terms of a mortgage transaction with Barfried Enterprises Limited.

By its terms, the mortgage professed to secure repayment of the principal sum of $2,250 with interest at 7 per cent per annum. In reality, the principal sum advanced by Barfried Enterprises Limited had been $1,500, from which the sum of $67.50 had been deducted as a commission. A bonus and other charges made up the remaining $750.00. The judge decided that these terms constituted an excessive cost to the borrower and that the transaction was harsh and unconscionable. The judge therefore altered the transaction, providing for repayment of the principal sum of $1,500 with interest at the rate of 11 per cent per annum.

The lender appealed to the Court of Appeal, contending that the Act was ultra vires of the Province as being legislation relating to interest and therefore within the exclusive jurisdiction of the Parliament of Canada under subsection 19 of Section 91 of The British North America Act.

The Court of Appeal gave effect to this contention by declaring the Act to be invalid.

The decision of the Court of Appeal was appealed by the Attorney General to the Supreme Court of Canada. The Supreme Court of Canada, by a majority, reversed the judgement of the Court of Appeal and declared the Act to be intra vires of the Province as being legislation dealing primarily with rights arising from contract and therefore prima facie legislation relating to property and civil rights and within the jurisdiction of the Province under subsection 13 of Section 92 of the British North America Act.

FACT-FINDING TRIP TO LOS ANGELES, WASHINGTON AND NEW YORK

January 7th, 1965 - Los Angeles: Meeting with Mr. Vincent W. Thorpe, Assistant Attorney General of California, and members of his staff, to discuss the operations of the Consumer Fraud Unit of the Attorney General's Department.

January 8th, 1965 - Los Angeles: Meeting with Mr. Thorpe and his staff and a panel composed of the following representatives of industries affected by the Instalment Sales Legislation of California:

1. Mr. A. E. Kaiser, Credit Consultant, California Retailers Association,
2. Mr. A. E. Weidman, President, Seaboard Finance Company,
3. Mr. H. A. Meselson, Owner, Globe Finance Company,
4. Mr. Lloyd G. Lancet, Office Manager, Vine-Sunset Loan Company,
5. Mr. T. B. Penn, Owner, Mutual Finance Corporation,
6. Mr. C. W. Ferguson, President, Balboa Insurance Company.

This meeting was devoted to a discussion of the Unruh Retail Instalment Sales Act and the Rees-Levering Automobile Sales Finance Act.

January 11th, 1965 - Washington: Meeting with Mr. Jonathan Lindley and Mr. John Evans, members of the staff of the Senate Banking and Currency Committee, to discuss Bill S.750 (The Douglas Truth in Lending Bill).

January 12th, 1965 - Washington: 1. Meeting with Senator Wallace F. Bennett, Utah, and Mr. Evans to discuss the opposition to Bill S.750.

- Washington: 2. Meeting with Senator Paul H. Douglas, Illinois, the sponsor of Bill S.750 and Mr. Lindley to discuss benefits of the Bill.

FACT-FINDING TRIP TO LOS ANGELES, WASHINGTON AND NEW YORK (CONT'D)

January 13th, 1965 - New York - Meeting in New York City with Mr. E. Virgil Conway, First Deputy Superintendent, State of New York Banking Department and with Mr. Leo Schroedel, Examiner in charge of Sales Finance Division and members of Mr. Schroedel's staff, to discuss the Banking Department's experience in regulating consumer finance.

January 14th, 1965 - New York City: Meeting with Mr. Barnett Levy, Chief of Consumer Frauds and Protection Bureau, Department of Law, and with the Honourable Louis J. Lefkowitz, Attorney General of New York, to discuss the operations of the Bureau.

ADDITIONAL BRIEFS AND SUBMISSIONS

The following is a list of briefs that were considered by the Committee but that were not presented at a Committee hearing:

1. Brief concerning the Formation of a Debt-Counselling Service - Submitted by Mr. T. Rimmer, Advertising Consultant, Better Business Bureau of Metropolitan Toronto.

2. Supplemental Brief on the Constitutional Aspects of Consumer Credit Legislation. Submitted by Professor Jacob S. Ziegel, Associate Professor of Law, College of Law, University of Saskatchewan.

3. Brief, Supplementary to Brief presented by the Direct Sellers Association at hearing on November 16, 1964. Submitted by Mr. R. W. Neal, Secretary, Direct Sellers Association.

4. Brief entitled "The Case for the Revision of the Debt Consolidation Act in Ontario". Submitted by Mr. Herbert T. Barnes, President, Dominion Acceptance Limited.

5. Answers to questions asked by the joint Committee on Consumer Credit of the Senate and House of Commons. Submitted by Mr. A. J. McKichan, General Manager, Retail Council of Canada.

6. Brief entitled "A Proposal for the Establishment of a Debt Counselling Service" (Prepared by the Debt Counselling Service Committee of the North York and Weston Area Social Planning Council). Submitted by Mr. John B. Parkin, President and Chairman, Social Planning Council of Metropolitan Toronto.

ONTARIO

LEGISLATIVE ASSEMBLY

SELECT COMMITTEE ON CONSUMER CREDIT

The Select Committee appointed by the Legislative Assembly of the Province of Ontario "... to examine into, study and report on all matters relating to the actual cost of credit to consumers such as instalment purchasers, borrowers and mortgagors in the Province of Ontario, and without limiting the generality of the foregoing the Committee's attention is particularly directed to investigation of means by which total charges for borrowing money may be revealed in regard to land mortgages, chattel mortgages, conditional sales agreements, credit retail purchases and similar transactions".... will hold public meetings in Toronto for the purpose of hearing submissions.

In anticipation of the forthcoming hearings, submissions are invited from chartered banks, insurance companies, acceptance corporations, finance companies, departmental stores and other retail and financial establishments, credit unions, mortgage brokers, solicitors, and others extending credit to consumers.

Submissions to be presented should be filed with the Secretary and it is requested that 25 copies be provided.

In addition, the Committee will accept submissions from individual consumers and groups, in writing, for presentation by arrangement with the undersigned.

Notice of intention to file should be sent to the Secretary by June 28, 1963. Notice of time allocated for appearance will be given as soon as possible.

H. J. Price, M.P.P.
Chairman

Mrs. S. Dell,
Secretary
Box 51,
Parliament Buildings
Telephone 365-2143

Honourable Members :

Public attitudes toward the use of credit and indebtedness have been undergoing a progressive modification with the changing conditions of our society. A few decades ago, money was not so essential a consideration in obtaining the goods and services which constituted the necessities of life. However, with our remarkable advance in science and technology and the improved living standards which followed, things have changed and credit has become an accepted and integral part of our economic structure. This development was epitomized in the words of the British Committee on the Working of the Monetary System—"just as a mortgage is the normal method of borrowing for the purchase of a house, so hire-purchase has become the main source of credit for equipping it." But the widespread use of credit has produced concomitantly manifold difficulties and problems. Thus, the worthy injunctions of "caveat emptor" and "the buyer needs a hundred eyes" are of small avail against the complexities which now confront the average individual in the world of commerce and consumer credit.

Notwithstanding the fact that many consumers are just beginning, or learning, to use the many forms of credit available, the total retail credit outstanding at the end of 1963 was in excess of 5 billion dollars. In recognizing the extent to which credit is used, it should be pointed out that the ability to obtain credit is a sound and valuable benefit, when credit is used properly. Economic advancement has gone hand in hand with the expansion of credit, and the consequences *on* our *economy* are readily apparent in the high levels of industrial production and employment together with higher standards of living.

On the other hand, the excessive and unwise use of credit, along with the inability of individuals to meet financial commitments, is a matter of concern to everyone, including the selling and lending agencies themselves. While it

is a distressing fact that credit privileges are not always used with care and certain individuals suffer financial hardship because of over-spending, ignorance or misunderstanding and, to this extent, the difficulties may be self-incurred, it is nonetheless clear that the consumer has, at times, been the victim of misleading and deceptive practices.

In our present-day environment, money is not unlike a commodity in that the use of it is bought and sold. Advertisements proclaim this fact abundantly through radio, television and news media. "If you need $2,000 or more . . . then do as thousands have done, call me"; "dial a loan"; "they're quick with the cash"; "the difference between *hoping* and *having* is a loan from"; "this $1,600 cheque is yours"; "no payments till March (advertisement dated December)": all lead to the belief that borrowing or purchasing on credit terms is an easy matter. Credit on this continent has become so easily obtainable that the public feels it belongs to them as a right.

The "buy now—pay later" philosophy which evolved during the past 15 years and which has, in fact, been thrust at the public, appears to have displaced the earlier concept of "saving before buying" which was the Golden Rule of the previous generation. Money is of major importance in our modern society and we must learn to use it to its fullest advantage. Therefore, education and encouragement of the old-fashioned standards of thrift, sound management and personal responsibility are not inconsistent with consumer interest—and the interests of the consumer are of essential and paramount concern to this Committee.

It will be seen that there is no easy route or simple solution to the problems which have become increasingly manifest. Thus, the whole aspect of credit must be surveyed with a view to meeting the needs of our changing and complex system.

Appointment and Terms of Reference

The Committee was appointed on April 26th, 1963, by the Honourable John P. Robarts, Q.C., LL.D., Prime Minister of Ontario, with the following terms of reference:

> "to examine into, study and report on all matters relating to the actual cost of credit to consumers such as instalment purchasers, borrowers and mortgagors in the Province of Ontario, and without limiting the generality of the foregoing the Committee's attention is particularly directed to investigation of means by which total charges for borrowing money may be revealed in regard to land mortgages, chattel mortgages, conditional sales agreements, credit retail purchases and similar transactions."

and was reconstituted on October 30th, 1963.

Soon after the appointment, an advertisement was inserted in newspapers throughout the Province and letters were circulated inviting the presentation of briefs from chartered banks, insurance companies, acceptance corporations, finance companies, departmental stores and other retail and financial establishments, credit unions, mortgage brokers, solicitors and others extending credit to consumers. In addition, submissions from individual consumers and consumer groups were invited.

The Committee sat for 16 days during June, July, August, November and December, 1963, and heard from a total of 80 groups and individuals.

A vast amount of background material and information has been collected from public service departments of the federal and provincial governments, mortgage brokers, lawyers, banks, trust companies, finance companies, acceptance companies, agriculture and labour associations, automobile dealer associations (both new and used car), a collection agency and various trade associations, business and consumer groups.

Submissions were, for the most part, thoughtful, and ably presented, and the time and effort expended in their research and preparation is gratefully acknowledged. We wish to extend our most appreciative thanks to all those who have given us the benefit of their knowledge and experience.

Important sectors of the consumer credit industry have yet to be heard, and there are many aspects which need to be scrutinized more thoroughly. Consequently, the Committee is not prepared to make specific recommendations at this stage of its enquiry.

Our first observation, nevertheless, concerns the misconception or lack of information about the true cost of credit. It was repeatedly reiterated that consumers had little idea of what they were paying in interest and carrying charges. The main objective and implicit responsibility of this Committee is to find means of making sure the public KNOWS how much is being paid for borrowed money, and to eliminate confusion and misrepresentation respecting consumer credit. This view was also expressed by the Royal Commission on Canada's Economic Progress which stated in its report that "The *insensitivity* of consumer borrowers to the cost of funds may be impossible to overcome—but we should at least take steps to ensure that individuals are informed of the rates of interest they are required to pay and informed in such a way that they may easily, without using slide rules, compare the rate charged at one source with the rate charged at others."

Furthermore, while the necessity and use of advertising is not in question, the intensive advertising programmes directed at the consumer have been (and continue to be) a contributing factor in the imprudent use of credit. The tendency in advertising appears increasingly to be towards consumer "borrowing" to achieve objectives rather than "saving", and it may be that some limitation or restraint with regard to advertising practices is desirable.

Other countries have indicated concern about consumer credit. The subject is being studied in the United States, Great Britain and other jurisdictions of Canada where it is receiving the attention of a Nova Scotia Royal Commission, a committee in Manitoba, and a recently appointed Joint Committee of the Senate and House of Commons.

Reasons for Borrowing

The most common purposes cited for seeking loans are:—

Renewal or refinancing of mortgages

Purchase of an automobile or other consumer goods

Home improvements

Consolidating debts

Vacations

Education

Emergencies and illness

(And the underlying reason in most cases, it was advanced, was "keeping up with the Joneses")

Then, taking credit purchases in order of importance, a house is the most significant and an automobile the next in line. It was estimated that 99% of all homes are mortgaged initially and that possibly 75% of the homes have a second mortgage when bought. Probably 85%-90% of total car purchases are financed at one stage or another but this figure is necessarily speculative to the degree that many transactions which appear to be for cash may have been financed through bank, finance company or credit union loans, and there is no statistical control representing all automotive financing.

SOURCES OF CREDIT

The institutions specializing in providing financial services to consumers may be classified as follows:—

Retail stores (with an assortment of credit plans)

Banks

Trust companies

Small loan (or consumer finance companies), and licensed money lenders

Credit unions

Acceptance companies

Mortgage brokers (this includes firms, private individuals and estates)

Insurance companies

CHARGE, OR INTEREST, ON CREDIT

In simplest terms, interest is payment for the use of money and, when expressed in terms of a percentage, is referred to as an interest rate.

A variety of calculation methods is used by lenders and retailers on the different types of loans, both secured and unsecured, and on the different types of retail credit transactions such as instalment purchases, charge accounts,

revolving credit accounts, etc. The interest or finance charge may be expressed as an annual or other than annual percentage rate and may be computed by an add-on or discount method; it may be calculated on the declining balance or on the unpaid balance outstanding at the end of each month (revolving credit); it may be stated as a dollar amount, and sometimes only the amount and number of payments may be given. Moreover, the interest rate can be supplemented by other costs such as service charges, commission, brokerage fees, legal fees, appraisal fees, etc.

Interest is a federal matter and the only legislation at present requiring disclosure of interest is the Small Loans Act which regulates the interest on loans up to $1,500, and the Interest Act which specifies that the simple interest rate must be clearly set out on blended payment mortgages.

The Bank Act purports to govern loans from banks.

Under the provisions of The Ontario Mortgage Brokers Registration Act, 1960, the Statement of Mortgage Form provides for full disclosure of all the details of a mortgage transaction.

Rates of interest in Canada are comparatively low in relation to rates in many other countries. Generally speaking, the costs of consumer borrowing in Ontario, including interest and other charges and expressed as a percentage rate per annum, are at the following prevailing levels:—

Credit Unions	8% to 12%
Bank loans	6% to 11.4%
*Finance companies	6% to 24%
Instalment purchases	16% to 20%
Conventional first mortgages (Central Mortgage & Housing, trust & insurance companies)	6¼% to 8%
Second mortgages	9% to 35%

*Most of the loans in this category are under $1,000, since it was allegedly not practical to lend at the ½% per month rate established by the Small Loans Act for the $1,000 to $1,500 class.

Nevertheless, some astonishing rates of interest on mortgage and other loans were uncovered during the course of the hearings—rates of 37%, 45% and more and, in one extreme case, 87%.

Action under the limited powers of the Committee being impracticable, an investigation of the reportedly exorbitant rates of interest charged by some mortgage brokers was opened by the Honourable F. M. Cass, Q.C., Attorney-General for Ontario. In consequence, the registrations of two of the mortgage brokers in question have been cancelled. Other abusive practices in the second mortgage field which were raised during the hearings are still under investigation and receiving the closest scrutiny of the Department.

In our estimation, the normal forces of competition will tend to mitigate and, in due process, to remedy many of the abuses in the lending field—specifically the second and subordinate mortgage areas. Likewise—and this will lend credence to our belief, the entry into the field (since the Committee was constituted) of a number of large finance companies, banks and other organizations of good financial and professional repute is helping to bridge the gap between first and second mortgage equity limits. Thus, it is now possible for property owners to borrow up to 85% of evaluation at rational rates, without bonus, and only nominal arranging fees.

It is believed, furthermore, that the publicity which attended Committee hearings has alerted the public to the practices of the unscrupulous fringe element, and, as a consequence, those contemplating borrowing may now exercise more care when considering the relative merits of lending agencies, their rates and terms.

Another circumstance which has been a recurrent source of trouble is the widely-held misconception between the use of the words "term or maturity" and "amortization". Amortization refers to the number of years over which payments must be made before a loan is paid off in full. The term of the loan or date of maturity, in many instances, is substantially shorter than the time indicated by the amortization period. The borrower may thus believe that the loan will be repaid in full based on the schedule of payments required but, in fact, may find that a substantial balance remains unpaid at the date of maturity. This balance is frequently refered to as the "balloon" payment, and, if the loan does not provide for renewal, the borrower may, in some cases, then be forced into a more exacting arrangement to meet the balance due. However, the Committee is not prepared at this time to recommend any steps which might be taken to alleviate this hardship, since it is felt that the problem needs further consideration.

Apart from this, the Committee has had the added advantage of consultations with Mr. C. Richards, F.C.A., Superintendent of Insurance, and Mr. V. J. Simone, Registrar of Collection Agencies, who are responsible for the supervision and administration of The Mortgage Brokers Registration Act. In order to strengthen the position of Insurance Department officials and thus afford a greater measure of protection to the borrowing public, certain amendments to The Mortgage Brokers Registration Act have been drafted. Specifically, it is proposed that adequate penalties be provided for breaches of the Act or for failure to comply with the directions or rulings of the Registrar; that the period of limitation from prosecution be extended from 6 months to one year after the facts are known (bringing this in line with The Securities Act); that, where an investigation reveals an offence under the Act or the Criminal Code, a report be made to the Attorney-General;—together with some minor amendments designed to make the Act a more effective instrument. These amendments are endorsed by the Committee and we refer them to the attention of the present Legislature with a view to their early implementation.

Pending developments and any future recommendations which may ensue from the Attorney-General's investigation, the Committee advances the view that steps toward more control and inspection insofar as mortgage transactions are concerned would be desirable. The Statement of Mortgage Form as presently constituted under the regulations of the Act is lacking in a number of

respects. It is submitted that, without changing the requirements of the Form, it provide for declaration of the approximately "true rate of interest" in place of the "minimum rate of interest" as now called for. Secondly, it is suggested that the question of compulsory filing of a copy of the Statement of Mortgage Form by the lender with an appropriate government agency and with accompanying measures to ensure compliance be considered and examined fully.

Used Car Financing

We have heard evidence which suggests that there are palpable abuses in the financing of used cars, and, on the recommendation of the Committee, the Attorney-General has opened an investigation into the charges and some of the specific cases which were brought to the attention of the Committee. The Committee would like to express the view that licensing of used car dealers be required as the practice in effect at the moment is merely registration. The licensing authority should also require, as a condition of granting a licence, evidence of financial stability and good reputation and should make the continuance of the licence dependent on proper conduct of business.

Disclosure of the True Cost of Credit

The subject of disclosure, it will readily be seen, has been an issue of great public interest and has inspired much controversy. For a number of successive years, there have been disclosure Bills introduced in both the Senate and the House of Commons. There has also been some disclosure legislation in a number of the States and in Great Britain.

Of the two basic methods of stating finance charges—the rate percent and the dollar and cents amount—the dollar form appears to be the method most frequently used in current practice.

Without having reached any specific conclusion, it may be added that the preponderance of opinion before the Committee has been in favour of full disclosure in principle, and there would appear to be no opposition to the enactment of compulsory disclosure legislation, provided it applies equally to all lenders.

From an administrative point of view, however, there have been cogent representations against declaration of the cost in terms of a rate percent on the grounds that the difficulty and complexity of calculating interest in terms of a comprehensible and exact percentage for all types of transactions is virtually impossible. Notwithstanding, the Committee is exploring every possibility in order that it may come to a practical and reasonable conclusion.

Re-appointment of the Committee

It will be clear from the foregoing that our investigation is far from being complete. There are many areas which have not been approached and many facets which need to be examined more fully, and it is therefore requested that the Committee be re-appointed to continue its enquiry.

Should the Committee be re-appointed, we propose to investigate many other aspects of the subject and areas not previously covered such as insurance companies, retailers, revolving credit accounts, instalment transactions, conditional sales and, in particular, the questionable situation of door-to-door selling.

H. J. PRICE,
Chairman.

EXCERPTS FROM

W I S C O N S I N

115.09

R E P A Y M E N T S C H E D U L E S

CHART NO. 3235

MARCH, 1959

1235

15 MONTHLY INSTALMENTS

EACH INSTAL-MENT 2	AMOUNT OF NOTE 3	DIS-COUNT 4	SER-VICE FEE 5	PROCEEDS AFTER DEDUCTING DISCOUNT & SERV FEE 6	COST OF LIFE INS 7	REMAINING PROCEEDS AFTER DEDUCTING LIFE INS 8	PERCENT PER ANNUM INTEREST CHARGED 9
24	360	35.25	7.20	317.55	3.38	314.17	19.33
26	390	37.88	7.80	344.32	3.66	340.66	19.19
28	420	40.50	8.40	371.10	3.94	367.16	19.06
30	450	43.13	9.00	397.87	4.22	393.65	18.96
32	480	45.75	9.60	424.65	4.50	420.15	18.86
34	510	48.38	10.20	451.42	4.78	446.64	18.78
36	540	51.00	10.80	478.20	5.06	473.14	18.71
38	570	53.63	11.40	504.97	5.34	499.63	18.65
40	600	56.25	12.00	531.75	5.63	526.12	18.59
45	675	62.81	13.50	598.69	6.33	592.36	18.46
50	750	69.38	15.00	665.62	7.03	658.59	18.36
55	825	75.94	16.50	732.56	7.73	724.83	18.28
60	900	82.50	18.00	799.50	8.44	791.06	18.22
65	975	89.06	19.50	866.44	9.14	857.30	18.16
70	1050	95.63	20.00	934.37	9.84	924.53	17.94
75	1125	102.19	20.00	1002.81	10.55	992.26	17.67
80	1200	108.75	20.00	1071.25	11.25	1060.00	17.44
85	1275	115.31	20.00	1139.69	11.95	1127.74	17.24
90	1350	121.88	20.00	1208.12	12.66	1195.46	17.05
95	1425	128.44	20.00	1276.56	13.36	1263.20	16.89
100	1500	135.00	20.00	1345.00	14.06	1330.94	16.74
105	1575	141.56	20.00	1413.44	14.77	1398.67	16.61
110	1650	148.13	20.00	1481.87	15.47	1466.40	16.49
115	1725	154.69	20.00	1550.31	16.17	1534.14	16.38
120	1800	161.25	20.00	1618.75	16.88	1601.87	16.28
125	1875	167.81	20.00	1687.19	17.58	1669.61	16.19
130	1950	174.38	20.00	1755.62	18.28	1737.34	16.11
135	2025	180.94	20.00	1824.06	18.98	1805.08	16.03
140	2100	187.50	20.00	1892.50	19.69	1872.81	15.95
145	2175	194.06	20.00	1960.94	20.39	1940.55	15.89
147	2205	196.69	20.00	1988.31	20.67	1967.64	15.86

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20 MONTHLY INSTALMENTS

EACH INSTAL-MENT 2	AMOUNT OF NOTE 3	DIS-COUNT 4	SER-VICE FEE 5	PROCEEDS AFTER DEDUCTING DISCOUNT & SERV FEE 6	COST OF LIFE INS 7	REMAINING PROCEEDS AFTER DEDUCTING LIFE INS 8	PERCENT PER ANNUM INTEREST CHARGED 9
18	360	47.00	7.20	305.80	4.50	301.30	19.28
20	400	51.67	8.00	340.33	5.00	335.33	19.09
22	440	56.33	8.80	374.87	5.50	369.37	18.92
24	480	61.00	9.60	409.40	6.00	403.40	18.79
26	520	65.67	10.40	443.93	6.50	437.43	18.67
28	560	70.33	11.20	478.47	7.00	471.47	18.57
30	600	75.00	12.00	513.00	7.50	505.50	18.49
33	660	82.00	13.20	564.80	8.25	556.55	18.38
36	720	89.00	14.40	616.60	9.00	607.60	18.29
39	780	96.00	15.60	668.40	9.75	658.65	18.21
42	840	103.00	16.80	720.20	10.50	709.70	18.15
45	900	110.00	18.00	772.00	11.25	760.75	18.09
48	960	117.00	19.20	823.80	12.00	811.80	18.04
51	1020	124.00	20.00	876.00	12.75	863.25	17.94
54	1080	131.00	20.00	929.00	13.50	915.50	17.75
57	1140	138.00	20.00	982.00	14.25	967.75	17.58
60	1200	145.00	20.00	1035.00	15.00	1020.00	17.42
63	1260	152.00	20.00	1088.00	15.75	1072.25	17.29
66	1320	159.00	20.00	1141.00	16.50	1124.50	17.16
69	1380	166.00	20.00	1194.00	17.25	1176.75	17.04
72	1440	173.00	20.00	1247.00	18.00	1229.00	16.94
75	1500	180.00	20.00	1300.00	18.75	1281.25	16.84
78	1560	187.00	20.00	1353.00	19.50	1333.50	16.75
81	1620	194.00	20.00	1406.00	20.25	1385.75	16.67
84	1680	201.00	20.00	1459.00	21.00	1438.00	16.59
87	1740	208.00	20.00	1512.00	21.75	1490.25	16.52
90	1800	215.00	20.00	1565.00	22.50	1542.50	16.45
93	1860	222.00	20.00	1618.00	23.25	1594.75	16.39
96	1920	229.00	20.00	1671.00	24.00	1647.00	16.33
99	1980	236.00	20.00	1724.00	24.75	1699.25	16.28
102	2040	243.00	20.00	1777.00	25.50	1751.50	16.23
105	2100	250.00	20.00	1830.00	26.25	1803.75	16.18
108	2160	257.00	20.00	1883.00	27.00	1856.00	16.13
111	2220	264.00	20.00	1936.00	27.75	1908.25	16.09
114	2280	271.00	20.00	1989.00	28.50	1960.50	16.05

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Appearances

Evidence was received from the following persons, listed in the order of their appearances, on behalf of the department or organizations they represented. (An asterisk beside a name indicates that a brief or submission was presented.)

June 24th, 1963	Mr. W. B. Common, Q.C., Deputy Attorney-General, Ontario Department of the Attorney-General.
	*Mr. Donald E. MacKenzie, Solicitor.
	Mr. C. Richards, Superintendent of Insurance, Department of Attorney-General.
	*Mr. W. M. Jaffray, Director, Registration and Examinations Branch, Department of Attorney-General.
	Miss C. Wysocki, Advisory Counsel, Department of the Attorney-General.
June 25th, 1963	*Mr. V. J. Simone, Registrar of Mortgage Brokers and Collection Agencies and Private Bailiffs, Department of the Attorney-General, Registration and Examinations Branch.
	*Mr. J. McCulloch, Manager, Toronto Branch, Central Mortgage and Housing Corporation.
	*Mrs. V. W. G. Wilson, Chairman, National Committee on Consumer Credit, Consumers' Association of Canada.
June 26th, 1963	Mr. A. M. Greenaway, President, A. M. Greenaway & Company.
	*Mr. John M. Hallinan, General Manager, Ontario Credit Union League.
	Mr. John H. Burton, Assistant-Supervisor of Examinations, Ontario Credit Union League.
July 22nd, 1963	*Mr. S. C. Bowen, General Manager, Better Business Bureau of Metropolitan Toronto.
	Mr. S. Rosenberg, Northern Loan Company, Limited.

July 23rd, 1963	*Mr. D. S. Baillie, President, Rosemont Investments Limited.
	Mr. M. G. Singer, Barrister and Mortgage Broker.
	Mr. A. Feldman, President, Residential & Commercial Investments Limited.
	Mr. J. Newton, Forest Hill Investment Corporation Limited.
July 24th, 1963	Mr. H. Latimer, Harry Latimer Ltd., Toronto.
	*Mr. S. J. Sitzer, General Manager, Lance Realty Finance Limited, Toronto.
	Mr. L. Taube, Barrister & Mortgage Broker, Toronto.
	*Mr. W. Peter Carter, Real Estate Manager, C.A.C. Realty Limited, Toronto.
	*Mr. A. Posluns, President, Superior Discount Limited, Toronto.
August 12th, 1963	*Mr. H. B. Shannon, Secretary, R.C.A.F. Benevolent Fund, Toronto.
August 13th, 1963	*Mr. J. E. Fortin, Secretary-Treasurer, The Dominion Mortgage & Investments Assoc.
	Mr. E. F. K. Nelson, Executive-Director, The Trust Companies Association of Canada.
	Mr. J. H. Joyce, Assistant General Manager, Crown Trust Company.
	Mr. F. W. C. Irwin, Assistant Superintendent of Mortgage Investments, The Canada Life Assurance Company.
	Mr. J. W. Rose, Deputy General Manager, Canada Permanent Mortgage Corporation.
	*Mr. J. F. Close, Treasurer, Royal Trust Company.
	Mr. A. Shifrin, Shifrin & Solish, Lawyer and Mortgage Broker, Toronto.
	*Mr. F. E. Tyler, General Secretary, Canadian Collector Association, Toronto.
August 14th, 1963	*Mr. O. Rechtshaffen, Solicitor, Security Capital Corporation Limited, Toronto.
	Mr. Murray Mintz, Murev Equity Limited (Mortgage Brokers), Toronto.

Mr. B. Sischy, Solicitor.

*Mr. A. H. K. Musgrave, President, Ontario Federation of Agriculture.

Mr. C. R. Belyea, Research Director, Ontario Federation of Agriculture.

Mr. C. Huffman, Vice-President, Ontario Federation of Agriculture.

Mr. R. W. Carbert, Secretary-Manager, Ontario Federation of Agriculture.

*Mr. R. E. Sanderson, President, Ontario Association of Real Estate Boards and Vice-President of A. E. LePage Limited.

Mr. G. C. Cormack, Member of Toronto Real Estate Board and Vice-President of A. E. LePage Limited.

November 18th, 1963 *Mr. R. J. King, Manager, Mortgage Department, Chartered Trust Company, Toronto.

*Mr. H. W. Bender, President, H. W. Bender, Limited, Real Estate, Toronto.

November 19th, 1963 *Mr. J. C. Lofquist, representing The Canadian Bankers' Association.

Mr. H. L. Robson, Secretary-Treasurer, The Canadian Bankers' Association.

Mr. J. C. Lofquist, Manager, Consumer Credit Department, Canadian Imperial Bank of Commerce, Toronto.

November 20th, 1963 *Mr. S. S. Martin, Manager, Personal Loan Department, The Toronto-Dominion Bank.

*Mr. William J. Dixon, Assistant General Manager, Consumer Credit, The Bank of Nova Scotia, Toronto.

*Mr. Wilfrid P. Gregory, Q.C., Executive Vice-President and Managing Director, British Mortgage & Trust Company, Stratford.

*Mr. David Archer, President, Ontario Federation of Labour.

Mr. D. F. Hamilton, Secretary-Treasurer, Ontario Federation of Labour.

Mr. J. H. Craigs, Director of Welfare, Ontario Federation of Labour.

Mr. Wm. Punnett, Vice-President, Ontario Federation of Labour.

*Mr. R. T. Homewood, General Manager, Automobile Dealer Associations of Ontario and Toronto Automobile Dealers' Association.

Mr. Burke Seitz, Vice-President, Toronto Automobile Dealers' Association and President, Golden Mile Motors, Scarborough.

Mr. W. J. Rowland, Board Director, Toronto Automobile Dealers' Association and President, Park Manor Motors.

Mr. John Smethurst, Treasurer, Toronto Automobile Dealers' Association and General Manager, Standard Triumph (Canada) Limited.

December 2nd, 1963 *Mr. C. M. Cawker, President, Canadian Consumer Loan Association, and President, Lombank Finance (Eastern) Limited.

Mr. E. J. Hendrie, Past President, Canadian Consumer Loan Association and Vice-President, Beneficial Finance Company.

Mr. F. C. Oakes, Public Relations Director, Canadian Consumer Loan Association and Vice-President, Lombank Finance (Eastern) Limited.

Mr. J. H. Jones, Member, Canadian Consumer Loan Association and President and General Manager, Severn Finance Limited.

December 3rd, 1963 *Mr. J. T. Wood, Executive Vice-President and General Manager, Household Finance Corporation of Canada.

Mr. R. A. Mackenzie, Director of Public Relations Department, Household Finance Corporation of Canada.

Mr. R. W. Stevens, Counsel.

*Mr. G. F. Edgar, President of Union Acceptance Corporation, representing Union Finance Company Limited.

Mr. M. C. Mitchell, Vice-President, Union Acceptance Corporation.

*Mr. J. B. Pennefather, President, Industrial Acceptance Corporation Limited, Montreal.

Mr. L. E. Nicol, Vice-President and General Manager, Industrial Acceptance Corporation Limited, Montreal.

Mr. P. J. Brown, Assistant Secretary and General Counsel, Industrial Acceptance Corporation Limited, Montreal.

Mr. K. G. Inch, Manager, Market Research and Statistics, Industrial Acceptance Corporation Limited, Montreal.

*Mr. J. S. Land, Vice-President, Niagara Finance Company Limited.

Mr. B. F. London, Vice-President and General Manager, Niagara Finance Company Limited.

December 4th, 1963

*Mr. David S. Baillie, President, Ontario Mortgage Brokers Association, Toronto.

*Mr. Peter Paul Saunders, President, Federated Council of Sales Finance Companies, and President, Laurentide Financial Corporation, Vancouver, British Columbia.

Mr. E. Michael Howarth, Executive Vice-President, Federated Council of Sales Finance Companies.

*Mr. P. D. Birkbeck, Vice-President and General Manager, Cafo Limited.

*Mr. W. E. Matthews, President, General Motors Acceptance Corporation of Canada Limited.

December 5th, 1963

Mr. H. Katz, Vice-President, Victory Finance Corporation Limited.

*Mr. O. Levy, Treasurer and General Manager, Victory Finance Corporation Limited.

*Mr. Cecil Davidson, President, Federation of Automobile Independent Retailers (Davidson Motors).

Mr. Rick Thompson, Vice-President, Federation of Automobile Independent Retailers (Pett & Thompson Motors Limited).

*Mr. F. M. Howard, Chairman, Business Practices Committee, Ontario Chamber of Commerce, (Engineering Department, Frigidaire Products of Canada Limited).

Mr. R. A. Mackenzie, Public Relations Department, Household Finance Corporation of Canada.

Mr. W. J. Dixon, Consumer Credit Assistant General Manager, The Bank of Nova Scotia.

Mr. E. Michael Howarth, Executive Vice-President, Federated Council of Sales Finance Companies.

Mr. J. L. Warren, Regional Sales Manager, Industrial Acceptance Corporation Limited.

Mr. Nels Liston, General Credit Manager, Simpsons-Sears Limited.

Mr. E. T. Atherton, Manager, Ontario Chamber of Commerce.

Mr. J. A. Collins, Assistant Manager, Ontario Chamber of Commerce.

July 27th and 28th, 1964

*Mr. M. K. Kenny, First Vice-President, The Canadian Life Insurance Officers Association and President of Excelsior Life Insurance Company.

Mr. F. C. Dimock, Secretary, The Canadian Life Insurance Officers Association.

Mr. J. A. Tuck, Q.C., Managing Director and General Counsel, The Canadian Life Insurance Officers Association.

Mr. T. D. Kent, Legal Assistant, The Canadian Life Insurance Officers Association.

*Mr. J. C. A. Macdonald, Executive Assistant, Secretary's Office, London Life Insurance Company.

Mr. J. A. Millman, Mortgage Executive, London Life Insurance Company.

*Mr. G. R. Fraser, Vice-President, The Excelsior Life Insurance Company.

Mr. A. D. Carnegie, Vice-President and Treasurer, The Excelsior Life Insurance Company.

Mr. J. McCreadie, Manager, Mortgage Department, The Excelsior Life Insurance Company.

Mr. J. H. Wainwright, Associate Secretary of Claims, The Canada Life Assurance Company.

Mr. F. W. C. Irwin, Assistant Superintendent Mortgage Investments, The Canada Life Assurance Company.

Mr. B. E. Shaver, Real Estate and Mortgage Consultant, The Canada Life Assurance Company.

*Mr. D. L. Kropf, Assistant Secretary, The Mutual Life Assurance Company of Canada.

Mr. B. A. Rogers, Associate Secretary and Legal Officer, The Mutual Life Assurance Company of Canada.

Mr. J. M. McInnis, Executive Assistant, Mortgage Investments, The Empire Life Insurance Company.

July 29th, 1964

*Mr. R. M. Cox, Associated Credit Bureaus of Ontario, and General Manager, Credit Bureau of Greater Toronto.

Mr. C. T. Beaman, Associated Credit Bureaus of Ontario, and Owner and Manager, Credit Bureau of Brantford and Simcoe County.

August 17th, 1964

Mr. N. Liston, Retail Council of Canada and General Credit Manager, Simpsons-Sears Limited.

Mr. J. W. Erwin, Retail Council of Canada, and Company Chief Accountant, The T. Eaton Company Limited.

Mr. W. G. Upshall, Retail Council of Canada, and Credit Manager, Contract Accounts Office, The T. Eaton Company Limited.

Mr. H. A. Simmons, Retail Council of Canada, and Credit Manager, Walker's Division of Gordon Mackay Company Limited.

Mr. D. P. Fletcher, Retail Council of Canada and Comptroller, Toronto and Hamilton Division, Henry Morgan and Company Limited.

Mr. A. J. McKichan, General Manager, Retail Council of Canada.

Mr. J. R. O'Kell, Retail Council of Canada, and Secretary, Simpsons-Sears Limited.

*Mr. J. T. Weir, Q.C., Counsel, Retail Council of Canada.

Mr. D. W. Rolling, Acting General Manager, Retail Merchants Association of Canada Inc.

Mr. W. W. Boys, Vice-President, Retail Merchants Association of Canada Inc.

Mr. W. More, President, Retail Merchants Association of Canada Inc. (Ontario).

Mr. M. Kuehl, Vice-President, Retail Merchants Association of Canada Inc. (Ontario).

Mr. R. Wood, Director, Retail Merchants Association of Canada Inc. (Ontario).

Mr. H. O. Heer, Director, Retail Merchants Association of Canada Inc. (Ontario).

August 18th, 1964

Mr. J. W. Erwin, Company Chief Accountant, The T. Eaton Company Limited.

Mr. W. G. Upshall, Credit Manager, Contract Accounts Office, The T. Eaton Company Limited.

Mr. N. Liston, General Credit Manager, Simpsons-Sears Limited.

Mr. D. P. Fletcher, Comptroller, Toronto and Hamilton Division, Henry Morgan and Company Limited.

August 19th, 1964

Mr. D. W. Rolling, Acting General Manager, Retail Merchants Association of Canada Inc.

Mr. W. More, President, Retail Merchants Association of Canada Inc. (Ontario).

Mr. W. W. Boys, Vice-President, Retail Merchants Association of Canada Inc.

Mr. H. O. Heer, Director, Retail Merchants Association of Canada Inc. (Ontario).

Mr. A. B. Collis, Former Director, Retail Merchants Association of Canada Inc. (Ontario).

October 26th, 1964

*Jacob S. Ziegel, Associate Professor of Law, College of Law, University of Saskatchewan.

October 27th, 1964	Donald C. MacGregor, Professor of Political Economy, University of Toronto.
October 28th, 1964	*Robert W. Johnson, Professor of Industrial Administration, Herman C. Krannert Graduate School of Industrial Administration, Purdue University, Lafayette, Indiana.
November 16th, 1964	*Mr. M. M. Hawkrigg, President, Direct Sellers Association and General Manager of Fuller Brush Company Limited.
	Mr. R. W. Neal, Secretary-Manager, Direct Sellers Association.
	Mr. T. A. Clasper, Director, Direct Sellers Association, and Manager, Electrolux (Canada) Limited, Montreal.
	Mr. C. C. Neabel, Member of Direct Sellers Association and President, Filter Queen Corporation Limited.
	Mr. J. A. MacDonald, Member of Direct Sellers Association, and General Sales Manager, West Bend of Canada Limited.
	Mr. G. V. Laughton, Chairman of Board of Directors, Canadian Central Registry of Subscription Representatives, Inc.
	Mr. H. A. MacDonald, Vice-Chairman, Board of Directors, Canadian Central Registry of Subscription Representatives, Inc.
	*Mr. E. J. Hessin, Manager-Secretary, Canadian Central Registry of Subscription Representatives, Inc.
November 17th, 1964	Mr. A. E. Golden, Counsel.
	Mr. Anthony Perry, Weathertite Construction Company.
	Mr. S. Sugar, Weathertite Construction Company.
	Mr. A. Krebs, General Sales Manager, Langs Foods Limited.
	Mr. Richard Stanton, Office Manager, Langs Foods Limited.
	*Mr. D. Lytle, Assistant-Treasurer, Premier Finance Corporation Limited.

	*Mr. Ivan P. Phelan, Vice-President, Avon Products of Canada Limited, Montreal.
	Mr. A. Simon, President, Stag Home Development Limited.
November 18th, 1964	*Mr. A. F. Elliott, Chairman, Educational Reference Book Publishers Association, and President of the Grolier Society Limited.
	*Mr. C. W. Swanson, Member, Educational Reference Book Publishers Association and Managing Director of Encyclopaedia Britannica.
	Mr. Roger Graver, Member, Educational Reference Book Publishers Association, and Vice-President of Sales, Encyclopaedia Britannica.
	Mr. H. Sales, General Sales Manager, Kirby-Sommer Company.
	Mr. M. Reiter, Counsel.
	Mr. B. Kuptz, Manager, Family Publications Service of Canada Limited.
	Mr. M. Reiter, Counsel.
	Mr. C. H. Elms, Sales Manager, Reycan Aluminum Building Products Limited.
November 24th, 1964	Joint Committee of the Senate and House of Commons in Ottawa.
November 25th, 1964	*Mr. Bernard Shinder, Counsel, Glenview Investments (Ottawa) Limited (this brief presented while Committee was in Ottawa).

Glossary of terms

Accounts Receivable: Accounts which are due to be paid either now or at some future time by debtors. Accounts outstanding.

Actuarial Methods: Advanced mathematical procedures commonly applied by use of pre-calculated standard tables. In consumer credit problems used to determine the true rate of interest.

Add-On: An amount or percentage of the principal added on to the principal representing the finance charge.

Aggregate: The total of several values, possessions, obligations.

Amortization: A term used to signify the exact repayment of a part or all of the principal of a loan before maturity and interest charged during the period by periodic payments over the term of the loan.

Annuity: A series of payments payable in the future usually of equal amount and including interest.

Balance: The amount outstanding on any account at a given time.

Balloon Payment: The balance of principal still due at maturity.

Blended Payment: An amount paid in discharge of a debt, including portions applicable to both principal and interest.

Bond: A security representing borrowed moneys, actually a form of a promissory note setting out the agreement between the borrowing company or government and the lender who owns the bond.

Bonus: A sum paid by the borrower in addition to interest as a cost of obtaining the net amount. The bonus may be paid as a separate money transaction or may be included in the principal.

Brokerage Fee: A fee charged by a broker for his service in arranging a loan contract between a lender and a borrower.

Call: A demand payment now or at a specified time.

Capital: Surplus funds or savings used for investment in business loans, mortgages or other purpose.

Cash Price: The price at which a vendor is prepared to sell goods or services for cash.

Chattel: A property which is moveable, such as furniture, cars, livestock or farm machinery.

Collateral: Property or possessions placed on deposit as security for the performance of an obligation or payment of a commitment.

Collectibility: The quality of a debt or obligation whereby a person may be made to pay the debt or fulfil the obligation by means of legal process.

Compound Interest: An amount of interest charged on an amount of interest previously charged and unpaid.

Conditional Sales: Sales made under a payment contract where title remains with seller until all payments are made.

Constant Ratio: A short-cut arithmetic formula used to determine interest rates.

Consumer: An individual using purchasing power to acquire a service or chattel for his personal use.

Cost of Borrowing: All charges payable by a debtor incident to the extension of a credit or loan.

Creditor: A person to whom money is owing.

Credit: Acquisition of purchasing power by a debtor, represented by an advance in cash, kind or deferred payment by a creditor.

Debtor: Someone who owes money to another.

Direct Ratio: Similar to the constant ratio.

Disclosure: Statement by the creditor to the debtor of all terms relevant to a contract.

Due Date: A date upon which a payment is required under a loan contract.

Durable Goods: Products requiring a long series of continuous service. Products lasting three years or more.

Equity: The value of the borrower's unencumbered investment in property.

Evidence: Document or record, as "evidenced by a note".

Finance Charges: A rather comprehensive term to describe the total interest and charges representing the cost of a loan.

Fixed Assets: Assets not readily or quickly convertible into cash.

"Free-er": An expression used in selling, particularly in direct selling, to indicate to the purchaser that he will obtain the goods or services without his having to pay for them.

Gale Date or Rest Date: The date on which interest is compounded.

Interest: The amount charged for the use of money or credit, calculated periodically on the principal outstanding.

Instrument: A legal instrument or document, a note, contract, agreement which is in writing.

Legal Fees: Costs of legal service and documentation necessary to protect the lender (and presumably the borrower) in establishing the validity and security of the loan.

Liquid Assets: Wealth quickly convertible into cash.

Liquid Securities: Stocks, bonds, investments easily saleable.

Matured: Fully paid up, fully carried out as to terms agreed upon.

Maturity: The date upon which the balance, if any, of the principal is payable in full.

Maximum Yield: A method of computing cost rates which assumes that all payments are applied to recapture all the principal before the remaining payments or portions of payments are applied towards the charges and is so called because the rate of charge computed according to this method is higher than the rate computed by any other method.

Minimum Yield: A method of computing cost rates which assumes that the entire charge is collected before any repayments are applied to reduce the principal and is so called because the rate of charge computed according to this method is lower than the rate computed by any other method.

Mode: The number and incidence of payments required under a loan contract.

Moral Obligation: A debt or obligation based on a personal promise rather than a legal contract.

Mortgage: A loan secured by lien upon property.

Mortgage Repayment Plan: **Unamortized**—wherein no repayments of the principal are required until maturity or payments are flexible as to date and amount.
Amortized—wherein repayments of principal are made periodically over the term of the loan.
These may be made:
(a) as straight line amortization—being equal payments of principal over the term of the loan with interest payable separately.
(b) as table amortization—wherein equal payments, including interest and principal are to be made over the term of the loan such as to exactly pay the entire principal and all interest over the term of the loan.
(c) as flat rate amortization—wherein equal payments are made over the term of the loan to cover both principal and interest (and other charges if any). A final adjustment is required to liquidate the loan. Additional payments may be permitted.

Mortgagee: The lender under a mortgage contract.

Mortgagor: The borrower under a mortgage contract.

Net Amount: The net cash actually received by the borrower after the deduction of any bonuses or charges.

Negotiable Paper: Includes a bill of exchange, promissory note or other negotiable instrument and is transferable so as to give the transferee all the rights originally created by it, without affecting him with any equities between the original makers of the instrument.

Other Fees: Costs of discharges of previous debts, registration of loan, etc.

Principal: The sum stated to be repayable by the borrower exclusive of interest or the balance of such sum still unpaid at any given time.

Present Value: The value now of a sum payable in the future, including a calculated accumulation of interest.

Repossession: The right of a creditor to re-acquire chattels given as security by a debtor.

Secured: Guaranteed as to payment by the pledge of something of value.

Stated Charge: The published, advertised, mentioned or agreed rate to be charged by notice published, advertised or mentioned.

Term: The number of periods during which the loan contract continues.

Time Price: The total amount payable by a debtor under a deferred payment contract in purchase of goods or services.

Title: Ownership or legal possession.

Waive: A release from some performance or duty that could be legally or morally enforced.

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